Sept. '47

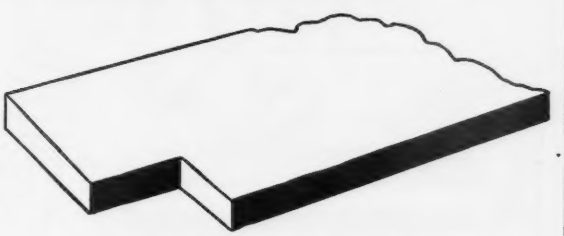
THE SMITH AND DIMON SHIPYARD ON THE EAST RIVER BY JAMES PRINGLE · COURTESY NEW YORK STATE HISTORICAL ASSOCIATION

DUN'S REVIEW

THIRTY FIVE CENTS · PUBLISHED BY DUN & BRADSTREET, Inc. · SEPTEMBER 1947

UNION PACIFIC TREASURE MAP OF INDUSTRY

Nebraska*



* *One of a series of advertisements based on industrial opportunities in the states served by the Union Pacific Railroad.*

- **LARGE SOURCE OF FARM PRODUCTS**
- **LEADER IN DAIRY PRODUCTS**
- **MAJOR LIVESTOCK PACKING AND PROCESSING CENTER**
- **AMPLE WATER SUPPLY**
- **NATURAL GAS, COAL, OIL AND ELECTRIC POWER**
- **RICH MINERAL DEPOSITS**
- **DIVERSIFIED INDUSTRIAL ACTIVITY**
- **STRATEGIC DISTRIBUTION LOCATION**
- **EXCELLENT RAIL TRANSPORTATION**
- **SKILLED, FAIR-MINDED LABOR**
- **NO SALES OR INCOME TAX**

Industries engaged in the packing or processing of farm products find Nebraska a rich source of raw materials. Corn, grains, sugar beets, potatoes and other vegetables are grown in abundance.

Omaha is a leading meat packing and poultry processing center. It frequently leads the nation in livestock receipts, is located in the world's largest butter producing area, and houses the nation's second largest industrial alcohol plant.

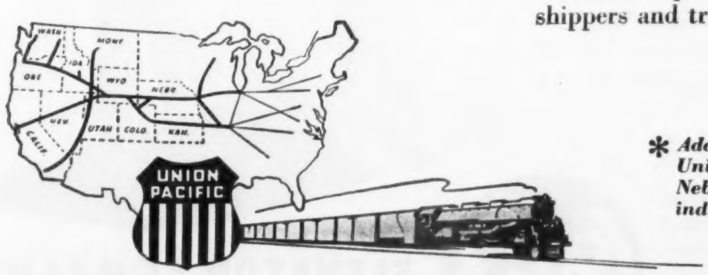
In addition to agricultural activity, there is diversified industrial manufacturing such as farm machinery, air conditioning equipment, fabricated steel, brick and tile.

Nebraska has large mineral deposits; gypsum, salt, potash, sand, gravel, stone, etc. Natural gas, petroleum and coal are readily available.

Of particular interest to industry is Nebraska's "pay-as-you-go" policy; no state sales, income or luxury taxes. It is a good place to work and live.

★ ★

In Omaha are the headquarters of the Union Pacific Railroad which provides efficient, dependable transportation for shippers and travelers.



* *Address Industrial Department, Union Pacific Railroad, Omaha 2, Nebr., for information regarding industrial sites.*

UNION PACIFIC RAILROAD

THE STRATEGIC MIDDLE ROUTE

Contents

SEPTEMBER 1947

BUILDING PERMITS *Building activity for 1946 as measured by building permit value in 215 cities was the highest in years. A 13-year record with annual figures for each of the 215 cities and for geographic regions has been compiled by Joseph A. D'Andrea, statistician of* DUN'S REVIEW; *copies are available, free, on request.*

HERE AGAIN *If you were reading* DUN'S REVIEW *between 1937 and 1942 you have before this appreciated the writings of the Austria story's author. Then, as Ruth Leger, she was in charge of The Business Conditions staff. The war took her as an economist to OPA and then overseas with UNRRA. Her principal responsibility now is in arranging for articles and we are glad to have her with us again.*

SMALL BUSINESS *Suggestions made by the CED for aiding small business will be outlined in the October* DUN'S REVIEW *by Paul Hoffman.*

COMMERCIAL FAILURES *Commercial failures since 1857 are charted on a sheet sent separately to those who receive* DUN'S REVIEW *as service subscribers. Additional single copies are available; write the editors.*

DUN'S REVIEW (including *Dun's International Review* and *The World's Markets*). September 1947. Published monthly. Volume 55, No. 2233.

290 Broadway, New York 8, N. Y. $4 a year; outside U. S. A., $5. Printed in U. S. A. Frontispiece from Devaney.

Cover

SMITH AND DIMON SHIPYARD, 1833

THE Smith and Dimon Shipyard was located on the East River between First and Third Streets, New York. While the painting from which our cover is reproduced is dated 1833, the yard is credited with building, in 1845, one of the most famous of all clippers —the *Rainbow.* With true Yankee enterprise and imagination the early American shipbuilder was daring, but practical, in designing fast clippers to compete for world trade.

The designer of the *Rainbow,* John Willis Griffiths, was laughed to scorn by some old salts when he suggested a knife-like prow, with greatest width amidships and tapering to a narrow stern. Her designer was vindicated when the *Rainbow* sailed for China on her maiden voyage and romped home in less than nine months, clearing her cost and a very handsome profit to boot in a single round trip.

The *Rainbow* made sailing history but Griffiths' second clipper, the *Sea Witch,* cut capers which left our foreign competitors gasping. Sailing from Hong Kong across the broad Pacific, through the treacherous Straits of Magellan and beating up the coast of South America she once clipped the running time for this passage to seventy-three days.

Those were the days when many of the merchants built and owned the vessels which carried their cargoes. The daring of early Yankee captains made fortunes for their owners—the same daring brought disaster and sometimes ruin. It was a period of studied recklessness. Shrewd calculating, perfect timing, and superior performance reaped its golden harvest while the less fortunate licked their wounds awaiting the killing on the next sailing—maybe.

CLARENCE SWITZER

Good News for all typewriter users!
BULLETIN...FROM THE TYPEWRITER LEADER OF THE WORLD.
NEW YORK—A NEW ALL-ELECTRIC TYPEWRITER IS NOW AVAILABLE TO BUSINESS ORGANIZATIONS EVERYWHERE.
SUPREME EASE OF OPERATION, LETTERS OF SURPASSING ATTRACTIVENESS, AND SPEED THAT ONLY ELECTRIC ENERGY CAN PROVIDE, ATTAIN NEW HIGH STANDARDS OF TYPEWRITER PERFORMANCE.
COMPLETELY NEW, THE UNDERWOOD ALL-ELECTRIC IS DESIGNED IN CRISP, CLEAN POSTWAR LINES—TO MAKE IT THE "WORLD'S MOST BEAUTIFUL TYPEWRITER."
MECHANICALLY, IT IS THE PRODUCT OF THE BEST OVERALL EXPERIENCE IN TYPEWRITER ENGINEERING AND DESIGN. MORE THAN FIFTY YEARS' EXPERIENCE IN MANUFACTURING TYPEWRITERS, PLUS TIME-TRIED FEATURES OF UNDERWOOD ELECTRIC ACCOUNTING MACHINES ARE BACK OF THIS LATEST UNDERWOOD PRODUCT.
HERE IS THE LAST WORD IN TYPEWRITER PERFECTION. BEFORE YOU BUY ANY TYPEWRITER BE SURE TO HAVE YOUR LOCAL UNDERWOOD REPRESENTATIVE DEMONSTRATE THE ALL-ELECTRIC FOR YOU.
Copyright 1947 Underwood Corporation
Underwood
Underwood electric
Underwood All Electric Typewriter ... made by the Typewriter Leader of the World
Underwood Corporation
Typewriters ... Accounting Machines ... Adding Machines ... Carbon Paper ... Ribbons and other Supplies
One Park Ave., New York 16, N. Y.
Underwood Limited
135 Victoria St., Toronto 1, Canada
Sales and Service Everywhere

Mr. T... *has pudgy little pads tipping his broad, stubby fingers... is definitely not the man for picking pockets, pins or pickled peppers... repairing watches, hooking up dresses and splitting hairs. And most men aren't much better than Mr. T!*

THUMBLEBUM
or
digitdexter...

Miss D... *has dandy hands for making shadow pictures, long fingers like animated calipers... facile at knots, tying trout flies,* petit point, *sticking pins and stamps ... without ever nicking her nail polish! ... And most women aren't as good as Miss D!*

Only one man in twenty-five, one woman in four, has better than average finger dexterity... and average isn't very good!... Which may explain why handling and sticking adhesive stamps is a finicky, fatiguing effort for most people... and a Pitney-Bowes postage meter is welcomed in most offices!

Because a postage meter does away with stamps! The meter holds any amount of postage you want to buy... prints postage on the envelope in any amount needed for any kind of mail... prints a dated postmark, and seals the envelope flap at the same time... Prints postage on tape for parcel post ... Protects postage from loss or theft, does its own accounting... Saves mailing time and effort in any office, large or small... And metered mail makes better time through the post office, too!...

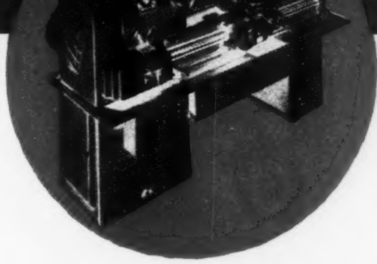
If there isn't a postage meter in your office, call the nearest Pitney-Bowes office... or write for an illustrated booklet.

PITNEY-BOWES Postage Meter

Pitney-Bowes, Inc., 1517 Pacific St., Stamford, Conn.

Originators of Metered Mail... largest makers of postage meters

Offices in 63 principal cities in the United States and Canada



How to examine a new lathe

IN 55 SECONDS!

LeBlond's "Visual Demonstrator" is an unusual booklet. It permits you to take a new lathe apart . . . and put it together again . . . right on your desk, without so much as a grease smudge on your fingers.

This LeBlond booklet goes far beyond anything ever offered in the machine tool field. Useful and informative, it shows the anatomy of the new LeBlond Dual Drive. It consists of a series of double cellophane sheets. Each sheet carries front and back views of successive details of construction—in color. As you turn the pages, you see in detail the external and internal workings of the Dual Drive.

If it's your job to investigate and specify new lathes, you'll want a copy of the "Visual Demonstrator." Send $1.00 to LeBlond for your personal copy. Only a limited number available.

While you're at it, ask for the two free bulletins pictured here. They're written to give you the kind of information you want and need about some of the new LeBlond lathes exhibited this month at the Machine Tool Show. Write for them today on your company letterhead, or use coupon below.

OTHER HELPFUL BULLETINS IN LeBLOND'S LIBRARY OF PROFITABLE BUSINESS LITERATURE.

Use this coupon

DEPT. B-10
THE R. K. LeBLOND MACHINE TOOL COMPANY
CINCINNATI 8, OHIO

Gentlemen:

Please send me the bulletins I have checked below:

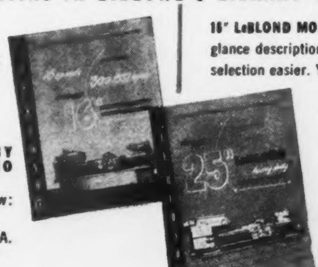
- ☐ "Visual Demonstrator," for which I enclose $1.00.
- ☐ Send 16" Model RT Heavy Duty Lathe Bulletin HD-30A.
- ☐ Send 25" Heavy Duty Engine Lathe Bulletin HD-151.

NAME..

COMPANY..

STREET..

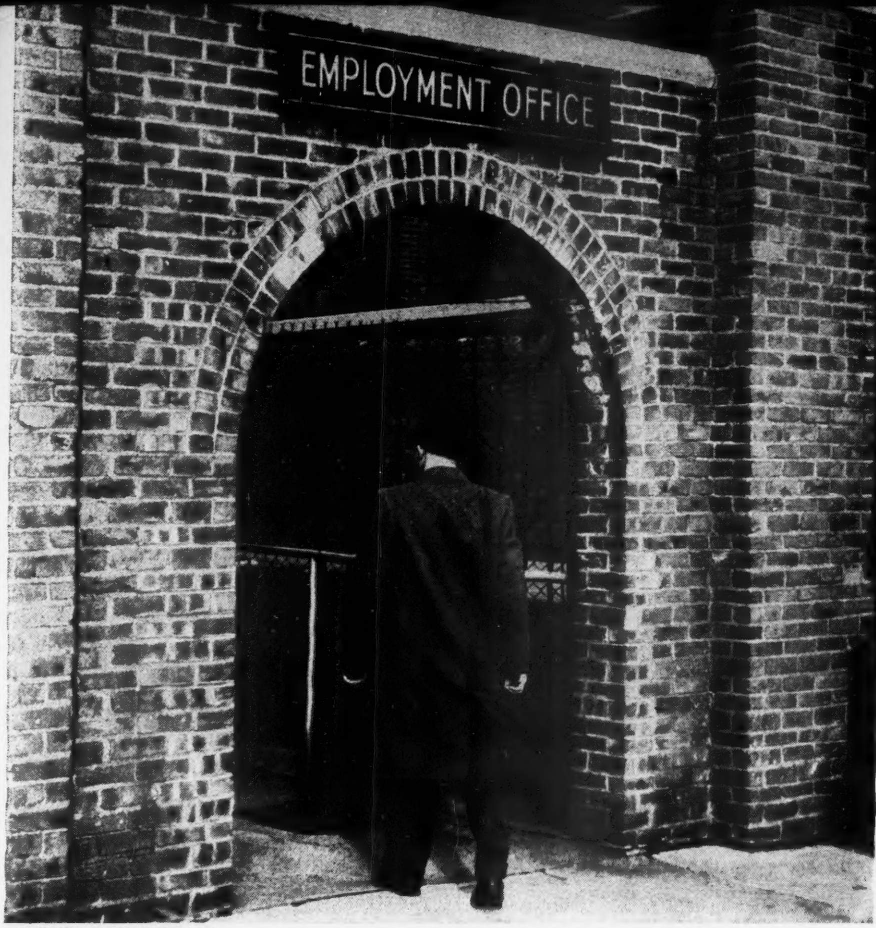
CITY.......................... **STATE**..........



16" LeBLOND MODEL RT HEAVY DUTY LATHE—6-page, 2-color bulletin for at-a-glance description of brand new heavy duty lathe. It will make your job of lathe selection easier. Yours for the asking.

25" HEAVY DUTY ENGINE LATHE—6-page bulletin that gives facts, figures, and other helpful information about this new precision lathe. If you're specifying lathes for a particular job, you'll want this.

LeBLOND



CORSON PHOTOGRAPH FROM DEVANEY

HERE A BUSINESS LEADER PROBES THE CAUSES OF THE WAR-TIME AND POST-WAR DECLINE IN INDUSTRIAL PRODUCTIVITY AND SUGGESTS STEPS TO COUNTERACT THIS UNFAVORABLE TENDENCY THROUGH A RETURN TO THE FUNDAMENTAL PRINCIPLES OF INDUSTRIAL MANAGEMENT.

A Fair Day's Pay *for a* FAIR DAY'S WORK

RALPH KELLY

President, Baldwin Locomotive Works

PROBABLY the most important problem facing management today is that of attaining a productive efficiency which will permit the payment of the high rates now received by American workmen and which will, at the same time, enable goods to be sold at prices which are not prohibitive for the average purchaser.

The uniform "across the board" increases which have been granted as national patterns for all industry during the past two years make no economic sense. The only source of higher real wages is increased output per man-hour of work. We have ignored this fundamental fact of wage economics in the past few years and granted very sizable advance payments against future increases in production which have not been realized.

After V-J Day, American workers were told by people in high places that their incomes could be maintained at inflated wartime levels with a reduction in working hours. Something for nothing was promised. They were told that higher wages would not increase their cost of living.

The price increases in the past year have demonstrated the fallacies of this politically inspired propaganda and we have all rediscovered the ancient truth that unless there is a corresponding increase in production, an "across-the board" increase in pay simply results in an equivalent across-the-board increase in the cost of goods that are purchased.

To make matters worse, there was a marked decline in productivity during the war years which was very much in evidence upon reconversion to peacetime products. Henry Ford testified about a year ago that on an over-all basis the Ford Motor Company was getting about 34 per cent less output per direct labor man-hour for compar-

THE AVERAGE WEEKLY EARNINGS IN ALL BRANCHES OF INDUSTRY HAVE RISEN SHARPLY SINCE 1939. IN JANUARY 1947 *THE AVERAGE EARNINGS IN* ALL MANUFACTURING HAD INCREASED TO ABOUT 170 PER CENT OF 1939 LEVELS AND THIS DOES NOT REFLECT ANY *1947 INCREASES.*

SCAYLEA PHOTOGRAPH FROM DEVANEY

able products and processes than it obtained in 1941. His survey showed the man-hours required to manufacture comparable vehicles increased from 87 to 128 between 1941 and 1945. General Motors estimates that the present worker productive effort is 21 per cent less than before the war.

This trend is dangerous to our national economy.

To give some background: in the four decades preceding the war the average yearly rate of increase in output per man-hour in all manufacturing was somewhere between 3 to 3½ per cent. This permitted the substantial gain in real wages and in the standard of living of the American worker in this period.

This steady upward trend of productivity was halted and reversed by World War II. We have a long serious task to re-establish the pre-war annual gain in productivity of 3 to 3½ per cent, much less to make up for the lost time during the war years. The way we do it is going to have a direct effect on the cost of goods we buy.

In the face of reduced output per man-hour, what has happened to wages? A few illustrations will give the answer. The settlement recently agreed to by the United States Steel Corporation raises their average hourly earning rate to about $1.47. In January 1941, straight-time average earnings were 85 cents. The total increase is 62 cents per hour or 73 per cent.

The average weekly earnings in all branches of industry have risen sharply since 1939. In January 1947 the average weekly earnings in soft coal mining were 280 per cent of 1939*; in the leather industry they were 250 per cent of those in 1939; paper products approximately 200 per cent; and in all manufacturing together the average weekly earnings had increased to about 170 per cent of 1939 levels, and these figures do not reflect any 1947 increases.

Unit Labor Costs

The significance of these fantastically large increases during a period in which output per man-hour was stationary or declining lies in their impact on labor costs per unit of output. In the same five-year period from 1939 through 1944, even before the record-breaking two rounds of wage increases, unit labor costs in peacetime products went up 42 per cent.

The double round of wage increases unaccompanied by increases in output per man-hour can only result in further increasing unit labor costs. Representing as they do, such a very large element of total production costs, these increased unit labor costs make the prospects for any price reduction very bleak to say the least. The increases of the past two years are a payment in advance for an increase for six years at the pre-war rate of production improvement.

The very best we could do in the most productive period in our history was an increase of about 6 per cent per year in the 1919-1923 period. Unless labor is ready to take off its wraps and increase productivity to its maximum rate—to counterbalance post-war labor increases and to make up for the war period—we face a probability of a dropping standard of living.

The thought immediately comes to one's mind, how is this to be done? I think the answer is to get back to the fundamentals of industrial management. Collective bargaining procedures have developed to the point where the pay earned by a workman is specified to a high degree of accuracy with a multitude of clauses and governmental rulings to cover every contingency that may arise in his working day. The moment a workman climbs from a low bay crane to a high bay crane, there is a claim for a higher rate of pay.

The statement of worker responsibility as opposed to the rigid and legalistic wage schedule specifications governing employers is a very simple statement in the standard union agree-

*Increased substantially by the recent agreement between U.M.W. and the coal operators effective July 1.

ment (including our own). A fair day's work for a fair day's pay—simple but what does it mean? Just what is a fair day's work and is industry getting it?

I said earlier that we must get back to the fundamentals of industrial management. The question we face today—"What is a fair day's work?"—is the one for which Frederick W. Taylor sought an answer a number of years ago at the Midvale plant. Taylor said, "The principal object of management should be to secure the maximum prosperity for the employer coupled with the maximum prosperity for each employee." The success of the principles of industrial management developed by Taylor is due to his search for an answer to what constitutes a "fair day's work."

We have, in my opinion, abandoned many of the principles of production control that were established by Taylor and those other pioneers, Gantt and the two Gilbreths. I do not wish to imply that the art of scientific management is a lost art. It is still practised with a high degree of effectiveness by the managements of a number of plants.

In general, however, the effectiveness of management has diminished very greatly from the peak of efficient production. So much so, that a thorough re-appraisal is justified. The heart of scientific management in the days of Taylor was the definition of a fair day's work with a system for giving a workman additional compensation for meeting or exceeding that "fair day's work." The "bogie" was based on time study and represented a quantity of output that could readily be done by a skilled workman in a day.

Rise of Incentive Systems

Even before World War I there were some crude incentive systems in operation. Some companies had a so-called contract system such as Sam Vauclain operated at Baldwin. He would sell a group of locomotives and then the boss painter, boilermaker, and others would bid for their part of the work as if they were independent contractors. Since these "contractors" in turn paid their men what they could get away with, it could hardly be said to be a scientific or fair system. The incentive was primarily for the contractor not for the workman.

The real factual, fair time payment plans were developed during and immediately after the World War era when our country took the lead in world production. The old-time memory and butcher book systems gave way to the more intelligent production systems that are the basis of present-day factory management. Concurrently came the enthusiastic acceptance and installation of incentive plans based on time study data. Piece work, Gantt task and bonus, premium plans, standard time, all were directed to give a workman additional compensation for turning out a fair day's work. They were, for the most part, simple, direct, and effective. The more a worker produced, the more he earned.

At the same time, a parallel development in production methods was taking place and one equally as revolutionary and equally destined to place America in the position of the most productive nation in the world. This was the production line developed by Henry Ford in 1913. The moving production lines became mechanical pace setters. A workman had to perform certain operations in the time it took for the line to move past him. The task was still, therefore, a given quantity of work to be performed in a given period of time. While earnings were not tied directly to output as in incentive plans, you will recall that the Ford Motor Company paid the highest day rate in history.

The production line completely revolutionized industries where there is a mass production of products such as

(Continued on page 68)

CORSON PHOTOGRAPH FROM DEVANEY

"IN THE FOUR DECADES PRECEDING THE WAR THE AVERAGE YEARLY RATE OF INCREASE IN OUTPUT PER MAN-HOUR IN ALL MANUFACTURING WAS SOMEWHERE BETWEEN 3 TO 3½ PER CENT. . . .THIS STEADY UPWARD TREND OF PRODUCTION WAS HALTED AND REVERSED BY WORLD WAR II."

EAST RIVER SHIPPING, NEW YORK CITY—DEVANEY PHOTOGRAPH

A Step Toward "One World":

THE IMF SETS EXCHANGE RATES

HARRY D. WHITE
Economic and Financial Consultant

FOR the first time in history, nations have relinquished sovereign rights over currency parities to an international agency. Two global financial agencies have important rôles in building this post-war world; the Fund (described here) and the Bank (July DR).

ALMOST to a day, one year from the time the International Monetary Fund began its task organization, it undertook its first financial operation—the sale of foreign exchange to a member country.*

Much preparatory work lay behind this first transaction. Before any sale of foreign exchange could take place, it was necessary to bring about agreement among its members on a world pattern of exchange rates. This was a difficult and delicate assignment, the more so as failure to agree on an acceptable par value for a country necessitated, in accordance with the Articles of Agreement, the withdrawal of that country from the Fund—and also from the International Bank (unless 75 per cent of the Bank's voting power agreed to allow the country to retain its membership).

* Of $25,000,000 to France; of $12,000,000 to the Netherlands; and various amounts to others more recently.—EDITORIAL NOTE.

The Fund's task was without precedent. For the first time in world history, a large group of sovereign governments had suspended a portion of their sovereign rights in monetary matters and had submitted their currency parities for review and acceptance by an international organization. For the first time a group of monetary experts and technicians were called upon to pass judgment on the appropriateness of a rate structure involving some 30-odd currencies. Truly, this was a revolutionary step in international monetary development and one calling for expert judgment and a high degree of objectivity.

Matters, however, proved less controversial than had been anticipated. Agreement on many currencies was relatively easy because the case for the existing parity was clear. On other parities, agreement was more difficult as differences of opinion existed. Fortunately, not all the difficult parity problems had to come under review, inasmuch as for certain member currencies the monetary conditions, it was agreed, did not as yet lend themselves to the establishment of any fixed parity. Fortunately, also, there already existed an informal understanding between United States and British technical representatives with respect to the two most important currencies—the United States dollar and the British pound sterling.

British-American Agreement

Long before the Bretton Woods Conference was called, we felt that an understanding had to be reached on the dollar-sterling rate. It was natural to anticipate difficulties in getting agreement on a pattern of exchange rates for a score or more currencies, and if we could remove uncertainty and possible controversy in the rate between the two most important currencies the remainder of the task would be easier to handle. We could not, of course, at that stage attempt to obtain agreement between the governments, but we moved as far as we appropriately could in that direction.

Therefore, before the decision was made to call the Bretton Woods Conference, technical representatives of both countries came to an understanding that, barring drastic unforeseen developments—such as substantial devaluation of a number of the more important currencies, or inflation in the United Kingdom relative to the United States, and so on, the dollar-sterling rate proposed by the British representative as its initial rate and supported by the United States would be the existing rate—namely, in the neighborhood of \$4=£.

This agreement was purely an informal understanding and was not binding on either government. It rested on good faith and on the mutual confidence between the monetary represen-

CAREW PHOTOGRAPH FROM MONKMEYER

About the Author:

Harry D. White, former Assistant Secretary of the Treasury, was until recently Executive Director for the United States of the International Monetary Fund. Dr. White, an economist, became associated with the Treasury Department in 1934 and its Director of Monetary Research in 1940. His preliminary work led up to the calling of the United Nations Monetary and Financial Conference at Bretton Woods and he was the chief author of the topics discussed. He laid the groundwork for the International Monetary Fund and the International Bank for Reconstruction and Development.

Exchange Rates Adopted by the Fund

Country	Currency Unit	Par Value In U. S. Cents
Belgium	Franc	2.28167
Bolivia	Boliviano	2.38095
Canada	Dollar	100.000
Chile	Peso	3.22581
Colombia	Peso	57.1433
Costa Rica	Colón	17.8094
Cuba	Peso	100.000
Czechoslovakia	Koruna	2.00000
Denmark	Krone	20.8376
Ecuador	Sucre	7.40741
Egypt	Pound	413.300
El Salvador	Colón	40.0000
Ethiopia	Dollar	40.2500
France	Franc	0.839583
Guatemala	Quetzal	100.000
Honduras	Lempira	50.0000
Iceland	Krona	15.4111
India	Rupee	30.2250
Iran	Rial	3.10078
Iraq	Dinar	403.000
Lebanon	Pound	45.6313
Luxemburg	Franc	2.28167
Mexico	Peso	20.5973
Netherlands	Guilder	37.6953
Nicaragua	Córdoba	20.0000
Norway	Krone	20.1500
Panama	Balboa	100.000
Paraguay	Guaraní	32.3625
Peru	Sol	15.3846
Philippines	Peso	50.0000
Union of South Africa	Pound	403.000
Syria	Pound	45.6313
Turkey	Lira	35.7143
United Kingdom	Pound	403.000
United States	Dollar	100.000
Venezuela	Bolivar	29.8507

tatives of the two countries. For obvious reasons the understanding had to be kept highly confidential.

Considerable surprise was expressed over the results when the Fund, having completed this phase of its work, published the accepted parities of 32 currencies. The surprise was occasioned by the fact that in almost all cases the accepted parities were those already prevailing. Many were puzzled by the Fund's decisions. Some were openly critical and raised objections to many of the rates agreed upon. They said that many of the currencies were over-valued.

Black Market Quotations

As proof that an over-valued rate had been agreed upon, black market quotations, which for a number of currencies differed greatly from the accepted official rates, were cited. It was also pointed out that prices in many of the countries had risen greatly in the past few years vis-à-vis United States prices while the exchange rate had not altered as much or at all. Altogether, it was charged that many of the rates accepted by the Fund were quite "unrealistic," and could not last.

Were these charges justified? Should the Fund have insisted that some of the parities be devalued or others appreciated? Let us see.

The Fund had two alternatives: it could accept the rate proposed by a member; or it could reject it on the specific grounds (stated in the Fund Articles of Agreement) that in the Fund's opinion the par value could not "be maintained without causing recourse to the Fund on the part of that member on a scale prejudicial to the Fund and to members." This meant that the Fund, in effect, had the right to object to a proposed parity as being either too high or too low.

But how determine whether a par value was too high or too low? By what criteria was the Fund to judge whether a rate was reasonable or not?

At the very outset, the Board of Executive Directors decided not to be overly critical; it would make objections only if it found the proposed rate to be way out of line and only if the rate was accompanied by a basic disequilibrium that should be corrected by a change in parity. The Board further decided that where reasonable doubt existed, the country's request for a given parity would receive the benefit of the doubt.

Such a policy was called for by the Articles of Agreement. It was called for also by the logic of the situation. With world economic conditions in flux, with countries struggling through very difficult problems of adjustment and reconstruction and with the Fund just starting out, it would have been both unjustified and foolhardy for the Fund to be as rigorous in its judgment regarding what constitutes an appropriate exchange rate as it might be in later years and in more stable periods.

There prevails a notion that the determination of what is an appropriate exchange rate is a simple matter. There are those who seem to think the selection of a parity involves merely the application of a rather simple mathematical formula. Time and again there appears in quasi-technical writings and speeches reference to a simple arithmetic equation which purports to measure whether, and to what extent, a particular currency is over-valued or under-valued. The formula referred to consists of a comparison of the movement of prices and currency parities in two selected countries measured from a base year. When the arithmetic result of the comparison is 100, the parity is presumed to be at "equilibrium;" when the result is more or less than 100, the discrepancy is presumed to measure the degree of over- or under-evaluation of the currency.

This formula, usually called the "purchasing-power-parity" doctrine, was made popular a generation ago by the famous Swedish economist, Cassel. Properly employed and properly interpreted, the formula can be helpful. But nothing could be less justified or less realistic than to rely on this device to determine what constitutes an appropriate exchange rate.

A nodding acquaintance with this simple purchasing-power-parity doctrine has, unfortunately, confused many persons. For even if the wholly unwarranted assumption were made that quantitative measurements are the decisive consideration, the use of the simple purchasing-power-parity formula would for most cases most of the time, and for all cases at this time, be completely inadequate.

In the first place, it is not usually the comparison of movements between two countries alone that is involved; every country trades, competes, and has financial dealings with many countries—not with just one. Rarely is it the competitive and trade relations between any one country and any other single country that alone signifies. Hence, any meaningful comparison of price movements and currency parities must for our purpose be made between the country in question and a group of other countries.

This is a very complex business. Since each country has varying importance to every other country, such comparisons involve complicated technical problems of weighting. Moreover, each country is a buyer, seller, and competitor at the same time. It competes with the products of other countries in three separate areas of economic activity.

(1) Its products compete in the home market with goods that are imported from other countries, or could be imported if the price changed.

(2) Its exported products compete in all other countries with similar substitute goods produced in those countries.

(3) Its exportable products compete in other countries with the exportable goods of other countries.

Other Problems Involved

In each of these areas different sets of prices are significant, and in order to allocate due weight to each situation, as part of the total, some way of logically combining the various measures is required. This raises even more difficult problems of selection, weighting, statistical logic, and economic analysis.

Furthermore, what price series shall be used in comparing price movements? Should they be wholesale prices, wage rates, cost of living, export or import prices, or some combination of these? A case can be made for using any one but quite different results will be obtained, depending upon which is chosen.

Finally, a base period has to be selected from which the comparison is to be dated; for statements of undervaluation of a currency usually have meaning only with reference to a pre-

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Requirements of Productive Capacity

HANNA FURNACE CORPORATION PLANT, BUFFALO, N. Y.—CORSON PHOTOGRAPH FROM DEVANEY

UNDER FULL EMPLOYMENT

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A PREVIOUS article discussed the production and market levels in various industries which might eventuate by 1950, assuming full employment in that year and reasonable industrial progress during the interim.[1] The present discussion considers the implications of these same assumptions with respect to industrial capacity in 1950.

Perhaps the heaviest responsibility of the business executive is in connection with decisions on the expansion of productive facilities. Certainly such decisions are the most difficult to make, and they place the highest premium on business foresight, precisely because they reach so far into the future. Detailed planning must precede the actual creation of physical facilities, and still more time must usually elapse before the soundness of the original decision can be established. Later events may make earlier plans seem overly optimistic or unduly conservative. But on the wisdom and general accuracy of such decisions depends not only the success of individual enterprises, but also to a large extent the health of the whole economy.

Because of the long time span required for substantial changes, the question of the continuing adequacy of existing industrial capacity is of fundamental and immediate importance. The development of a shortage in capacity could by itself shape the leading economic characteristics of the coming years. An actual shortage, as is evident from recent experience, could generate inflationary pressures during a period in which real demand was dissipated in higher prices, without lasting benefit to production levels or living standards. On the other hand, a potential shortage could encourage a high level of capital formation, sustaining production and employment, and perhaps preventing any possible recession from being either deep or prolonged.

The basic factors which determine the volume of production needed for full employment, and hence capacity requirements, are subject to continuous long-run growth. By far the most important of these factors are the size of the labor force, the level of working hours, and output per man-hour. In combination, these factors completely determine the level of production required if the labor force is to be fully employed.

[1] "American Economy under Full Employment: A Pattern for 1950," DUN'S REVIEW, July 1947.

There has been a long-run trend toward reduction in the length of the work week. It should be noted, however that this has not operated independently to reduce production levels. Rather, a steady increase in per capita production has made feasible a gradual reduction in average working hours. On balance, there has been a steady tendency, checked only during depression periods, for total production to seek new high levels. Gross national product in constant prices (the best available measure of total national output) has tended to double about every 30 years.

Factors in Capacity Growth

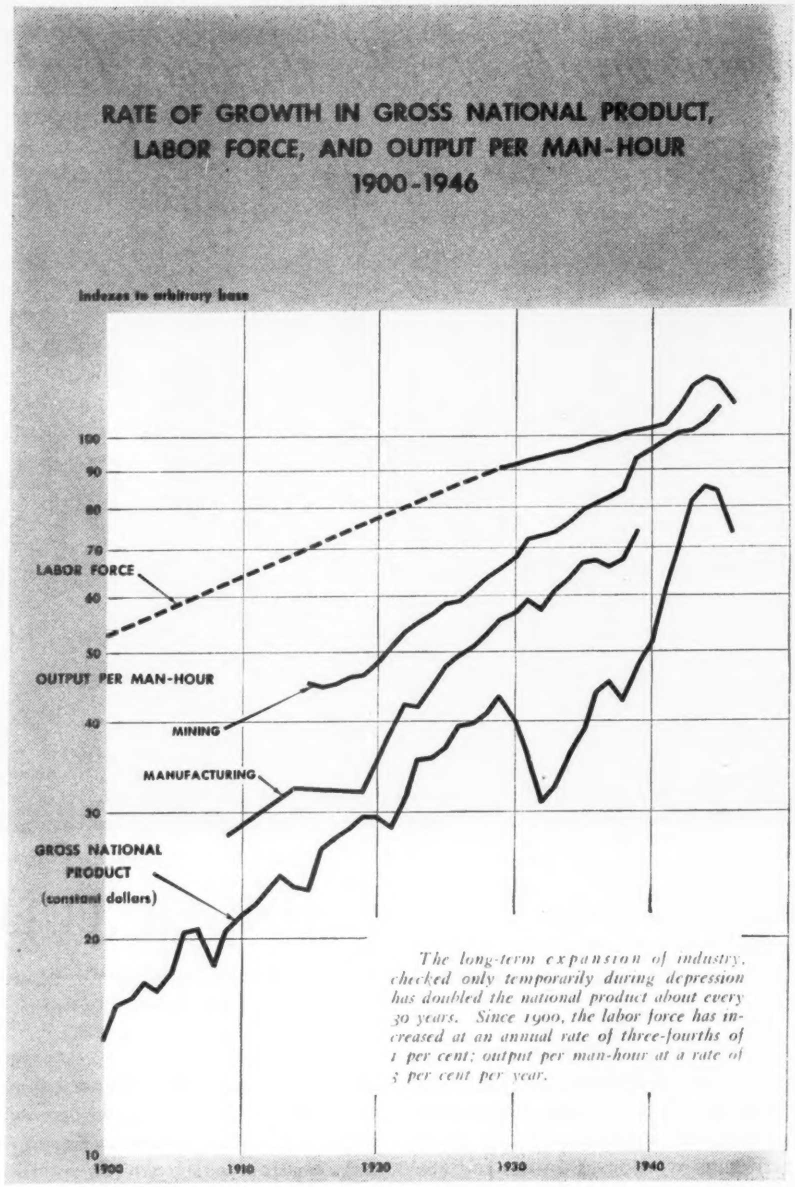
The labor force has increased regularly at an annual rate of about three-fourths of 1 per cent a year since the turn of the century. (See the accompanying chart.) Output per man-hour in mining and manufacturing has increased steadily at a rate of about 3 per cent per year. Adequate data for all sectors of the economy are not available, but there is evidence to show that in most there has been continued improvement in efficiency, though in some at more moderate rates. These long-term rates of growth have continued during prosperity and depression alike, so that the capacity required to produce a full employment level of output is largely unaffected by the serious underemployment of men and equipment characteristic of depression periods.

There are no comprehensive figures on basic industrial capacity to match against the figures on growth in output per man-hour and the labor force. Data available for several important industries, however, suggest that the behavior of capacity has been of quite a different nature. (See chart on page 19.) Prior to 1929, basic capacity grew continuously in response to the growth in labor force and output per man-hour. Since 1929, however, shrinking markets, restricted demand, and the exigencies of war production have resulted in a much smaller rate of growth.

For none of the products shown was capacity in 1945 at the level indicated by an extrapolation of pre-1929 rates of growth, despite the fact that all were basic to war production. Nor can the failure to match the pre-depression rate of growth be attributed to over-expansion in the late 'twenties. Whatever data are available for this period indicate that the per cent of plant capacity unutilized remained much the same throughout the years 1900 to 1930.[2]

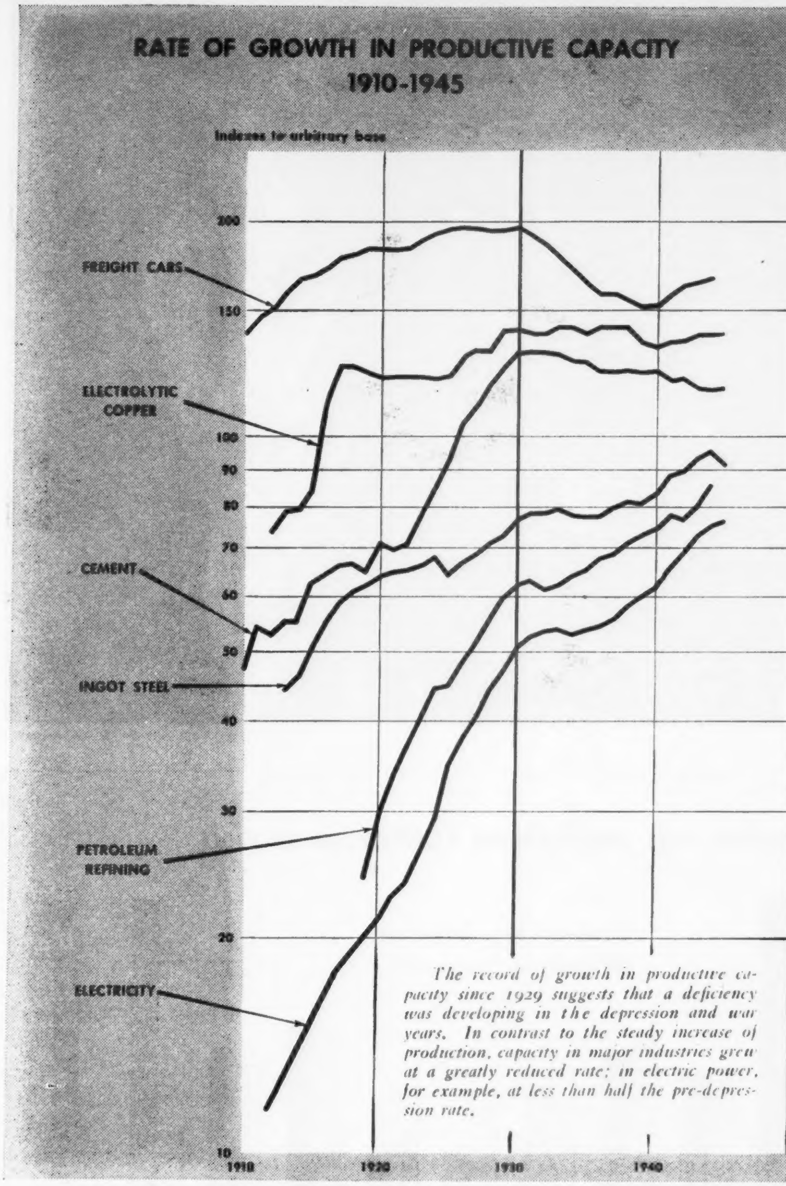
Essentially, these data suggest that a deficiency in capacity was developing all during the depression and war years. This deficiency could become apparent only when the end of hostilities ushered in for the first time in 17 years a full employment volume of demand for peacetime goods. If this is in fact a correct conclusion, the growth in industrial capacity which would normally occur in a decade may now be compressed into a few years.

An analysis of this type is suggestive, but far from conclusive. It is probably correct to infer that increases in the labor force and in output per man-hour require a growth in over-all capacity at approximately a constant annual rate. It does not follow that the capacity of any one industry must follow this pattern. Conclusions with respect to particular industries must be based on analyses of the potential demand for the products of these same industries.



The long-term expansion of industry, checked only temporarily during depression has doubled the national product about every 30 years. Since 1900, the labor force has increased at an annual rate of three-fourths of 1 per cent; output per man-hour at a rate of 3 per cent per year.

[2] Edwin G. Nourse and Associates, *America's Capacity to Produce*, The Brookings Institution, Washington, 1934.



The record of growth in productive capacity since 1929 suggests that a deficiency was developing in the depression and war years. In contrast to the steady increase of production, capacity in major industries grew at a greatly reduced rate; in electric power, for example, at less than half the pre-depression rate.

In the previous article of this series, two sets of estimates of the volume of production which might be demanded of each industry in 1950 under stable full employment cond.tions were presented. The first set referred to a situation in which full employment was attained through a high volume of consumer demand (the "consumption model"). The second set applied to full employment attained through a very high volume of investment demand (the "investment model").

The two models represent extreme conditions; a more "realistic" situation would presumably lie between them. The separate production estimates thus represent at least in part outer limits, within which actual production levels under the assumed conditions might be expected to fall. Moreover, both series of estimates embody assumptions that unemployment will be at the "frictional" minimum, and that a substantial increase in industrial efficiency will occur by 1950. The estimates therefore refer only to an economy operating at or near peak production levels, and in this same sense they represent upper limits to potential demand for the products of the various industries.

The estimates of 1950 production levels presented in the previous article were expressed in dollar terms. In the chart on page 20, the estimates for a series of commodities have been converted to physical units for comparison with previous peak levels of output. The estimates are necessarily rough since questions of "product mix" and "upgrading" are involved in proceeding from dollar output to physical units. The general qualitative conclusions to be drawn are probably unaffected, however, by the approximate nature of the results. The estimates imply production levels above previous peaks for almost all commodities for which estimates have been prepared.

Motor Vehicle Demands

The estimated demand for trucks and passenger cars, roughly 8½ million vehicles, is of special interest, even though the motor vehicles industry may have sufficient capacity to meet it. As early as 1940 the capacity of the industry was estimated at eight million motor vehicles [3], and it may have been increased since then by conversion of war-built facilities. Such a high level of demand could generate capacity shortages in industries which directly or indirectly sell their products to the motor vehicles industry, such as steel, rubber, and railroads, and for that reason the estimate merits attention.

It is convenient to consider motor vehicles demand as arising from four sources: consumer demand for passenger cars, business demand for passenger cars, business demand for trucks and buses, and export demand. Separate estimates of demand from each source placed the combined domestic demand for passenger cars at 7.1 million in 1950, which is more than 50 per cent above the previous peak of 4.6 million in 1929. (Three other published estimates were compared, and these, incorporating as nearly as possible the same assumptions, yielded even higher results, ranging from 7½ million to 11 million passenger cars.[4])

The remaining demand for the products of the automotive industry is made up of export demand for motor vehicles

[3] *Ward's Automotive Reports*, February 2, 1940.

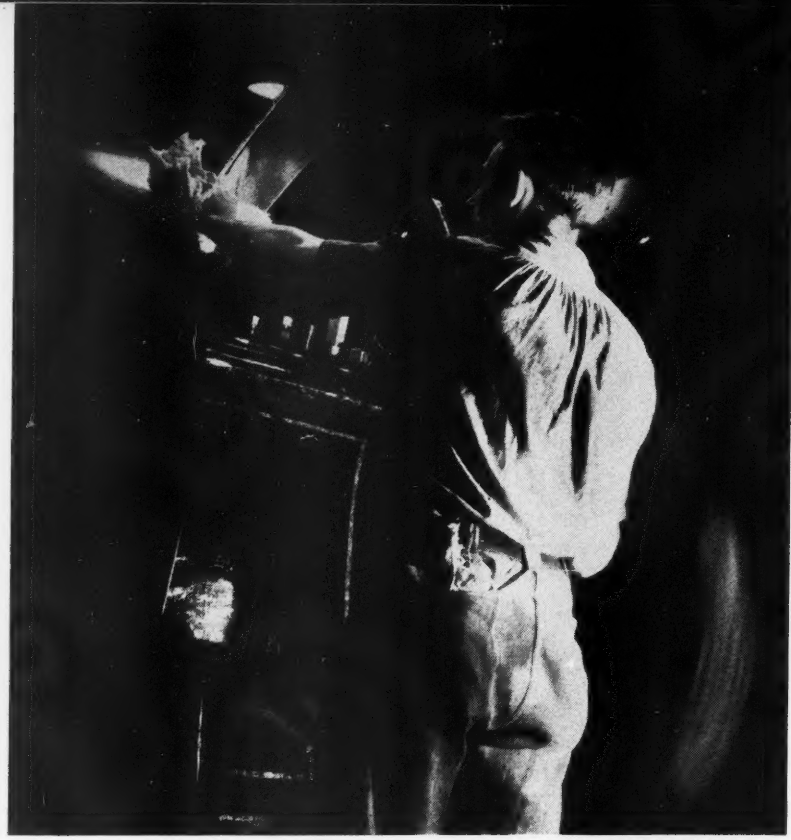
[4] Department of Commerce, *Markets After the War;* Roos and Von Szeliski, *The Dynamics of Automobile Demand;* and National Resources Committee, *Patterns of Resource Use*. In some cases only rough approximations coyld be made for some of the variables. It is not believed, however, that this materially affected the results.

and business demand for trucks and buses. Outlays for trucks and buses averaged about 14 per cent of total expenditures for producers' durable equipment in the 1929-1939 period. The levels of investment assumed for 1950 imply a demand for 1.2 million trucks and buses in the consumption model and for 1.9 million in the investment model. This compares with 1.1 million in 1941 and an annual rate of 1.3 million in the early months of 1947.

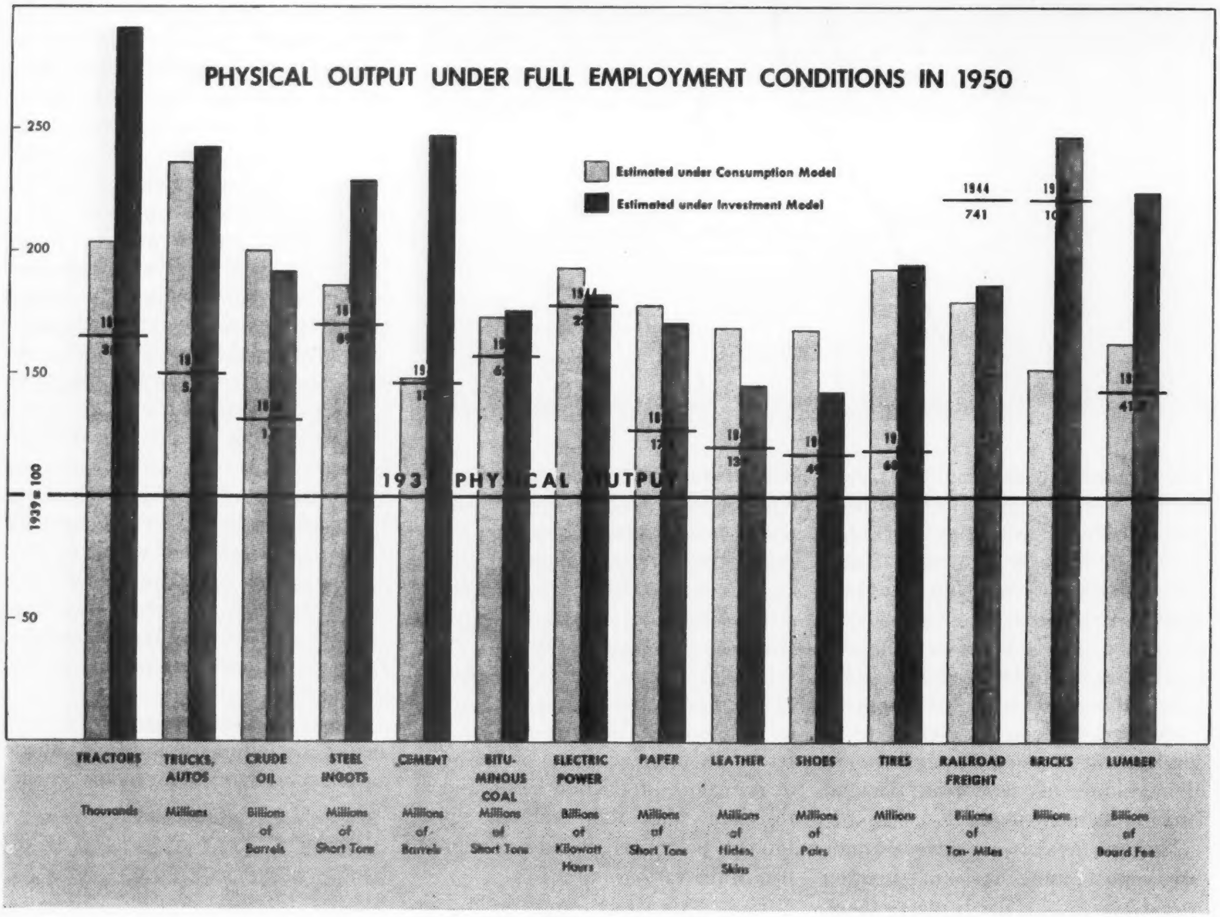
Total demand for passenger cars, trucks, and buses is about the same for either model, and more than 50 per cent above the previous peak of 5.4 million vehicles produced in 1929. However, it must be kept in mind that the estimates

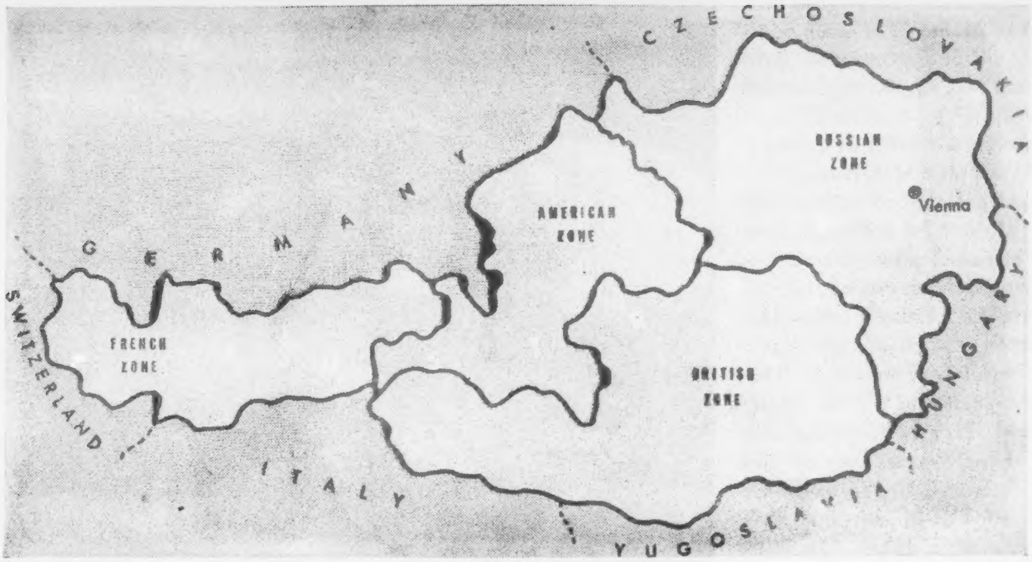
(Continued on page 56)

Projections of physical output in selected industries under two full employment models yield striking comparisons with a pre-war year and with production peaks up to the present. The length of the bars above the horizontal line at 100 represents the estimated expansion of output beyond 1939 levels. Lines across bars designate the previous peak of output, with the year date and actual unit production at that time.



CAREW-CALDWELL PHOTOGRAPH FROM MONKMEYER





Austria To-Day—

the Struggle to Live

RUTH L. SIVARD
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WE HEAR SO MUCH THESE DAYS OF THE MARSHALL PLAN AND THE ACUTE NEEDS OF DEVASTATED EUROPE. WHAT IS IT LIKE TO-DAY INSIDE ONE OF THE MOST HARD-PRESSED OF THESE NEEDY NATIONS? MRS. SIVARD'S REPORT ON CONDITIONS IN AUSTRIA IS BASED ON HER OBSERVATIONS THERE AS UNRRA'S PRICE AND RATIONING OFFICER.

FROM an office window on Schwarzenberg Platz in Vienna, one can see a good bit of post-war Austria —and of Europe, too. Across from my window, there was the baroque structure housing Allied Council Headquarters, one of the architectural remains of pre-war, elegant Vienna, now neatly military, the command post of the liberators. Beyond it and across the Danube Canal, perhaps a mile to the east, could be seen the unmoving skeleton of the ferris wheel in Vienna's dead Prater.

Dominating the square is a new memorial shaft, erected by the Russians, topped by the bronze figure of a Soviet soldier holding a gold shield. He faces toward the Ring circling the heart of Vienna, and a coffee house which now has no coffee to serve.

Looking down on Schwarzenberg Platz last Autumn, I used to think what a lot it did tell about post-war Austria. The long, thin line of stalled trams dramatizing her economic paralysis. The little branch of the Schleichhandel[1] from Karls Platz doing a brisk black market business under the very shadow of military headquarters and that formidable bronze statue. There is even a certain symbolism in the name of the square itself. Schwarzenberg Platz officially became Stalin Platz after Russian troops liberated Vienna in April 1945—but the new name has not yet become popular with the Viennese.

A view of a Vienna square can by no means give the full story of Austria today. But its picture of bleakness, of external distress, of war destruction overladen with post-war poverty, is an introduction to the problems of Austria that are themselves so much larger than Austria.

Here is a country of seven million population, about that of New York

[1] The term Schleichhandel for the black market comes from the word "schleichen," to crawl.

City, with an area about as large as that of the State of Maine. For seven years a lesser appendage of Germany, now for more than two, she has experienced life in quadruplicate, a country "liberated," but occupied by four military powers. War inflicted a damage on her economy estimated at 3 billion schillings (at the legal exchange, $300 million). Her residences and commercial buildings were destroyed, her capacity to produce greatly diminished by the destruction or removal of plant and machines, stocks, transport. Her people are weakened by years of undernourishment. Her food production, even now, over two years since the end of hostilities, is sufficient to feed little more than one-half of her population at a bare minimum diet.

Austria is, in short, one piece of the shattered economy that is Europe to-day. War has left too little which of itself might generate recovery. There is not only the pressing need for food, but for the tools and raw materials from which to build recovery. For this rehabilitation and for relief, our own country has already given billions of dollars, of which Austria alone, through UNRRA, military, and other channels, has received over $200 millions in food and materials. We are on the eve of giving more. It may be useful, therefore, to have a look at the situation as it is now, more than two years after the war's end. In the following report, I refer to Austria alone not because it is necessarily typical of all Europe, but because eight months of observation there have made me feel that an inside view of one country may do what general statistics cannot, to convey an understanding of the precarious economic balance within Europe to-day.

SLOVAKS RETURN TO THEIR HOMELAND, VIENNA—ACME PHOTOGRAPH

"HER PEOPLE ARE WEAKENED BY YEARS OF UNDERNOURISHMENT. . . . FOOD PRODUCTION, OVER TWO YEARS SINCE THE END OF HOSTILITIES, WILL FEED LITTLE MORE THAN ONE-HALF THE PEOPLE AT A *MINIMUM DIET*. *AUSTRIA IS ONE PIECE OF THE SHATTERED ECONOMY THAT IS EUROPE TO-DAY*."

Economic Paralysis

Great progress that has been made since the economic stagnation of Spring 1945, yet Austria's present level of economic activity is still incredibly subnormal. There is "full employment" but industrial production is possibly 40 to 50 per cent of 1937, a year of serious unemployment. Food harvests are about half those of pre-war. Exports and imports represent 10 per cent of 1937 volume. Except for strictly rationed foodstuffs and the widespread activity of the black market, retail trade is virtually at a standstill. In all, the number of concerns in business has dropped by 50 per cent.

Legal price controls, which so far have actually held the level of official prices below world prices, hardly conceal the ominous signs of suppressed inflation. Black market prices are 50 to 100 times controlled prices. In contrast to the paucity of goods, note circulation is about seven times larger than before the war, and to all intents and purposes uncovered.

These are the barometers of economic life and yet even these give only a hint of the extremes of economic hardship under present conditions. A picture of post-war Austria becomes real only in terms of the people one meets in their ordinary pursuits of living and keeping alive. The loungers in the famous coffee houses on Vienna's Ring, reading their *Wiener Zeitung* over a glass of water. The miners in Styria on their way to the coal mines barefoot or with rags for shoes. The patient line in Graz waiting for the dealer in horsemeat to open his shop. The peasant women in Lower Austria hitched to their own plows.

To appraise the condition of Austria to-day, one must look at the faces of the old people, the thin bony legs of the young. The petty irritability of the citizens in trams and subways, the obsequiousness of a waiter over a tip of two cigarettes. These are no less a measure of the long road ahead than are the shuttered stores, the piles of rubble still blocking some of Vienna's streets, the hollow shell of the Opera House.

A Diet at the Minimum

Before the war, the average Austrian consumed about 2,800 to 3,000 calories worth of food a day. (In the United States, the average was about 3,250 calories pre-war, and is somewhat higher currently.) During most of the war, Austria was on rations comparable to the German, that is, equivalent to about 2,000 calories for the normal consumer. But in the first chaotic months after liberation, food allowances were not much above 800 calories. Those who did not have accumulated food stocks starved. The death rate in 1945 jumped to 23.44 per thousand population.

Since 1946, there has been decided improvement in the quantity of authorized rations, reflecting UNRRA's efforts and withdrawals from military

RUINS OF THE AM HOF, VIENNA—ACME PHOTOGRAPH

"A VIEW OF A VIENNA SQUARE CAN BY NO MEANS GIVE THE FULL STORY OF AUSTRIA TO-DAY. BUT ITS PICTURE OF BLEAKNESS, OF WAR DESTRUCTION OVERLADEN WITH POST-WAR POVERTY, IS AN INTRODUCTION TO THE PROBLEMS OF AUSTRIA THAT ARE THEMSELVES SO MUCH LARGER THAN AUSTRIA."

TWO BLACKMARKETEERS ARRESTED IN RAID, VIENNA—SIGNAL CORPS PHOTOGRAPH FROM [illegible]

stocks, mainly the American. The death rate in 1946 dropped to 14.21 per thousand, about the normal pre-war rate. Infantile mortality was reduced to half the 1945 rate.

Even with the improvement, current rations are less than half the pre-war diet. Allowances currently range between 1,200 and 1,550 calories for the "normal consumer" category, with supplementary rations above that for those who work. Reserve stocks are so slim that it is seldom that the government can be sure in advance that supplies will be sufficient in all provinces to meet the call-up. Often local authorities must announce rations on a weekly basis, hoping that when announcements are made on Sunday, supplies will somehow arrive during the week to cover the needs.

Now what exactly does a daily ration of 1,200 to 1,550 calories mean? To the average adult Austrian it has meant, for longer than he would like to remember, a *week's* allotment of about these kinds and quantities of foods:

Meat (tinned)	½ pound
Meat (fresh)	1 ounce
Salted Fish	2½ ounces
Potatoes	3¼ pounds
Fresh Vegetables	¼ pound
Dried Peas and Beans	¼ pound
Dried Eggs	1 ounce
Fats and Oils	2½ ounces
Soup Powder	½ ounce
Corn Meal	1 ounce
Flour	½ pound
Bread	4 pounds
Sugar	2½ ounces

The calorie equivalent of this diet is less than half that usually recommended as proper for a moderately active adult. It has conspicuous deficiencies in calcium, Vitamin A, and ascorbic acid. That it has not as yet produced evidence of widespread nutritional disease is perhaps less a tribute to the medical adequacy of the diet than to the ingenuity of the populace in tapping extra-legal sources of supply. In young children, the most noticeable effect of undernourishment is retarded growth. Most of the population is underweight, but serious weight deficiencies (that is,

(Continued on page 36)

"IT IS SMALL WONDER THAT EVERY CITIZEN IS TEMPTED TO TRY THE BLACK MARKET. . . . THE AUSTRIAN, UNLIKE CITIZENS OF MANY OTHER EUROPEAN COUNTRIES, NEVER HAS A CHANCE TO SUPPLEMENT THE RATION WITH A RESTAURANT MEAL. . . . BUT IN THE BLACK MARKET, MANY THINGS CAN BE FOUND—AT A PRICE."

SCALYEA PHOTOGRAPH FROM DEVANEY

The Trend OF BUSINESS

PRODUCTION . . . PRICES . . . TRADE . . . FINANCE

Business activity generally remains at very high levels. Wages and prices both continue their upward spiral and employment is at an all-time high. Wholesale and retail dollar volume increase moderately. Business failures continue to rise.

IN spite of the hot weather, manufacturing production volume this Summer was at or close to peacetime peak levels after the slight drop of 2 or 3 per cent in the late Spring. The demand for almost all types of goods remains very high.

Even coal tonnage is down only slightly, although under the new coal contract miners work about 16 per cent less time than under the old contract. By the end of July, bituminous coal production was back up to 12,000,000 tons. Steel production, down to a weekly rate of 1.3 million tons at the end of June, was up to 1.7 million tons by the second week in August.

The automotive industry, hampered by lack of sheet steel, reported production reduced by nearly 20 per cent in the last half of July. By mid-August, however, weekly output again exceeded 90,000 units.

Industrial Production

Seasonally Adjusted Index: 1935-1939 = 100: Federal Reserve Board

	1944	1945	1946	1947
January	243	234	160	189
February	244	236	152	189
March	241	235	168	190
April	239	230	165	186
May	236	225	159	185
June	235	220	170	183
July	230	210	172	182*
August	232	186	178	
September	230	167	180	
October	232	162	18[illegible]	
November	232	168	183	
December	232	163	182	

* Approximation; figure from quoted source not available.

The building industry continued to expand operations. Building permit values surged sharply upward in June and July following a period of eight months during which the volume fell below the level of the corresponding month of the previous year.

Only in a very few lines was production cut because of a slackening in demand. Shoe manufacturers, faced with stiff consumer resistance to high prices and poor quality, reduced output. Textile mills increased production although output was generally below early Spring levels.

Present production levels are considerably above those of pre-war years in many industries. Average monthly steel production in 1937 was 4,720,000 tons, while current monthly steel output is 7,333,000 tons. Much of the increase is due to the deferred consumer demand for automobiles, refrigerators, and other products made of steel.

Food production has been sustained at uprecedented levels; both large relief shipments to foreign countries and increased domestic consumption have resulted in increased demand. Textiles and clothing production has been increased to fill the needs of a population which is larger and more prosperous than it was in the years just prior to World War II.

Exports continue to account for an unusually large proportion of U. S. production but recent reports indicate that shipments to the non-devastated countries (especially Canada and Latin America) are falling off. Several foreign governments have tightened import restrictions on some luxury items to such an extent that those countries are no longer as good a market for American surplus. The

Employment

Millions of Persons, U. S. Bureau of Census

	1944	1945	1946	1947
January	50.4	50.1	51.0	55.4
February	50.3	50.6	51.2	55.5
March	50.5	50.8	52.5	56.1
April	51.3	51.2	54.1	56.7
May	52.0	51.3	[illegible]	[illegible]
June	53.2	52.1	[illegible]	60.1
July	[illegible]	54.4*	57.8	60.1
August	53.2	53.6	57.7	
September	52.3	51.4	57.1	
October	52.2	51.6	57.0	
November	51.5	51.5	57.0	
December	50.6	51.2	56.3	

* New series.

Wholesale Commodity Prices

Index: 1926 = 100; U. S. Bureau of Labor Statistics

	1944	1945	1946	1947
January	103.3	104.9	107.1	141.5
February	103.6	105.2	107.7	[illegible]
March	103.8	105.3	108.9	149.5
April	103.9	105.7	110.2	147.7
May	104.0	106.0	111.0	146.9
June	104.3	106.0	[illegible]	147.7
July	104.1	105.9	124.7	149.8*
August	103.9	105.7	[illegible]	
September	104.0	105.2	[illegible]	
October	[illegible]	[illegible]	134.1	
November	104.4	106.8	139.7	
December	104.7	107.1	140.9	

* Approximation: figure from quoted source not available.

one line where demand has been sustained by export requirements is the food line. Despite record crops, there has been very little surplus and prices have continued to rise.

Inventories of manufacturers, wholesalers, and retailers continued to rise but at a substantially slower rate than that which characterized inventory buying in the last half of 1946.

Employment

In the two years since the end of the war total civilian employment has increased by 8.6 million persons. The rapid demobilization of the armed services and the subsequent entry of millions of veterans into the labor forces were largely responsible for this spectacular increase.

Seasonal factors helped to push total employment in July to an all time high of over 60 million persons (U. S. Bureau of Census data).

Employment in each of the broad divisions of trade and industry rose from the level of the previous month. Manufacturing, with 15.2 million employees, accounted for the largest number of the nation's workers. In contrast to the rise in the trade and industrial groups, Government employment declined slightly to 5.4 million. On V-J Day Government employment stood at about 6 million.

Unemployment in July was estimated to be less than 5 per cent of the total civilian labor force. "Frictional Unemployment" caused by workers changing jobs and students looking for Summer work accounted for a considerable portion of the unemployment figure.

Income

Major revisions in national income data were recently announced by the U. S. Office of Business Economics. The revisions were effected for clarification of detail and in some instances changes in nomenclature were involved. The series formerly known as Income Payments to Individuals is now entitled Personal Income; it includes income in kind, and income of proprietors, as well as actual cash payments.

New information provided by the revised series includes a much improved and more detailed industrial classification and the distribution of national income by legal form of organization. Personal Income for May totalled $191.8 billion as compared with $190.2 billion in April and $173.3 billion in May a year ago.

On July 8 a coal wage rise took place whereby the average miner's pay was increased about $1.20 per day. Scattered wage increases were granted in several other industries during the month. These raises were granted with very little time lost due to strikes.

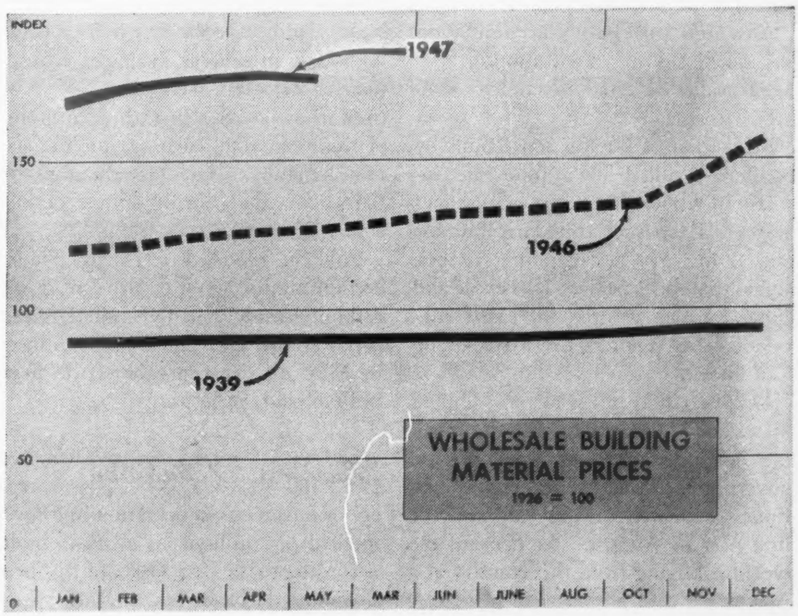
Agricultural income in July and the first part of August, bolstered by continuously advancing prices for farm products, was nearly 25 per cent above that of the corresponding period a year ago.

Prices

The month of July was marked by a series of quick spurts in the wage-price spiral. Following the coal wage rise on July 8 most operators increased the price of coal. Since coal is an all-important factor in steel making, the major producers during the latter part of July announced increases in the price of steel ranging from $5 to $10 per ton.

The steel industry stated that the recent price rise was put into effect mainly to absorb the added costs resulting from the wage rise granted to the industry last Spring. At the beginning of August a major part of the automotive industry, one of the greatest users of steel and steel products, announced advances in the price of automobiles and trucks.

Wholesale commodity prices in general continued the gradual rise begun



Construction costs have risen considerably more than has the general price level in the two years since V-J Day. Increases in raw material prices plus advances in distributing costs have resulted in a rise of 94 per cent in wholesale building material prices since 1939. Represented here is the combined building material index which includes individual indexes for brick and tile, paint and paint materials, cement, lumber, and other building materials. Data from U. S. Bureau of Labor Statistics.

in June. By mid-August most commodity price averages had risen to a level slightly above the post-war peak reached in March of this year.

The Consumers' Price Index of the U. S. Bureau of Labor Statistics rose to 157 in June. Preliminary data now available indicate that the cost of living continued to rise during July and the first half of August.

Trade Retail trade dollar volume rose steadily during July and the first half of August. Volume during this period was moderately above that of a year ago; most of the rise was due to higher prices rather than to increased unit sales. Clearances and promotions were numerous and met with fair response; stiff consumer resistance to "out of line" prices continued to be evident.

Although inventory accumulation has slackened in recent months, the dollar value of retail inventories continues to rise.

Relaxation of buying restrictions by retailers resulted in a moderate increase in wholesale activity. Shortages of several types of consumer durable goods, mainly refrigerators, ranges, and automobiles persisted. Textile and apparel order volume increased considerably as retailers began stocking Fall lines.

Despite rising prices of most United States goods and services and diminishing dollar resources of many foreign governments, the export boom continued unabated during July and the first part of August. At present, the world is buying from this country at a rate 60 per cent higher than in 1946.

Hampered by reconstruction difficulties and internal political strife, most European countries have been unable appreciably to step up production of exportable goods; buying of foreign goods by the United States is only 10 per cent above that of a year ago. This has resulted in an export balance for the United States of over $10 billion.

Finance Trading on the New York Stock Exchange was heavier in July than in any other month this year, with shares sold exceeding a million in all but four sessions. Security values advanced generally; by the beginning of August early losses had been erased and most stock price averages had slight gains for the year to date.

Bonds of the International Bank for Reconstruction and Development, offered for sale to the public on July 16, met with enthusiastic response by both individual and institutional investors.

Many corporations reported record high earnings for the first half of 1947. Although in several instances second quarter earnings were down slightly from those of the first three months of this year, total earnings for the six months ending June 30 were substantially above those for the similar period a year ago.

Publicly reported cash dividends, accounting for about 60 per cent of all cash dividends paid by United States corporations, aggregated $159.2 million in May, 15 per cent above the $136 million paid out in May 1946.

Business Population The number of businesses in operation in March totalled 3.7 million, an all time high, according to the U. S. Office of Business Economics. However, the increase in the six months ended with March 1947 was 3 per cent compared with 8.7 for the first half and 4.3 for the last half of 1946. This reduction in the rate of increase is due mainly to the decline in the number of new businesses started.

New business incorporations in every month so far this year have been below the level of the corresponding month of 1946. Company formations in the first six months of this year totalled 59,373, representing a decrease of 17.2 per cent from that of the similar period in 1946 (DUN & BRADSTREET data). New business incorporations in June, although down 2.8 per cent from that of the previous month, were 21.8 per cent less than in June a year ago.

Failures Business failures in July numbered 299, a slight increase over the June figure of

Business Inventories

Billions of Dollars: U. S. Department of Commerce

	1944	1945	1946	1947
January	27.82	26.50	26.60	36.02
February	27.99	26.56	27.07	37.13
March	28.04	26.69	27.75	38.30
April	27.88	26.79	28.02	38.86
May	27.78	26.75	28.37	38.91
June	27.63	26.56	28.79	39.12*
July	27.42	26.41	30.09	
August	27.77	26.71	31.3[illegible]	
September	27.74	26.98	32.[illegible]	
October	27.88	27.36	[illegible].01	
November	27.[illegible]3	[illegible].58	35.20	
December	26.61	26.39	34.93	

* Approximation; figure from quoted source not available.

Retail Sales

Seasonally Adjusted Index: 1935-1939 = 100: U. S. Department of Commerce

	1944	1945	1946	1947
January	175.6	193.3	237.6	276.2
February	173.9	193.9	243.3	280.6
March	177.9	196.4	241.[illegible]	277.7
April	169.6	180.6	236.2	274.2
May	174.5	184.6	[illegible].9	274.1
June	174.4	189.6	238.7	275.3
July	179.4	198.4	247.5	277
August	180.7	196.2	261.4	
September	179.1	195.[illegible]	256.5	
October	185.0	[illegible]7.8	260.3	
November	[illegible]	220.1	273.0	
December	187.7	216.8	270.1	

* Approximation; figure from quoted source not available.

Industrial Stock Prices

Monthly Average of Daily Index: Dow-Jones

	1944	1945	1946	1947
January	137.74	153.95	199.00	176.10
February	135.97	157.13	[illegible].46	181.54
March	139.07	157.22	194.[illegible]	176.66
April	137.19	160.47	205.8[illegible]	171.28
May	139.22	165.58	206.6[illegible]	168.[illegible]
June	145.46	167.3[illegible]	207.3[illegible]	173.[illegible]
July	148.37	16[illegible]	202.27	[illegible].64
August	146.72	[illegible]6.16	199.44	
September	145.20	177.96	172.72	
October	14[illegible]	185.07	169.48	
November	[illegible]6.88	190.22	168.94	
December	150.35	192.74	174.38	

New Business Incorporations

	June 1947	May 1947	June 1946	Six Months 1947
Alabama	84	77	83	651
Arizona	49	58	41	375
Arkansas	59	49	53	324
California	688	757	854	4,464
Colorado	83	78	84	[illegible]
Connecticut	126	138	188	968
Delaware	221	222	294	1,402
Florida	309	337	360	1,940
Georgia	108	133	103	878
Idaho	25	23	17	165
Illinois	535	543	607	3,530
Indiana	174	155	179	1,058
Iowa	72	77	85	478
Kansas	64	62	69	406
Kentucky	69	66	90	457
Louisiana	102	73	108	502
Maine	36	51	58	278
Maryland	192	169	211	1,149
Massachusetts	291	318	403	2,050
Michigan	301	299	313	2,042
Minnesota	164	128	152	836
Mississippi	59	51	79	386
Missouri	158	130	157	912
Montana	31	30	24	203
Nebraska	49	52	59	362
Nevada	54	52	46	334
New Hampshire	22	23	41	195
New Jersey	529	564	734	3,39[illegible]
New Mexico	33	25	19	149
New York	2,073	2,643	3,328	14,017
North Carolina	125	150	210	1,025
North Dakota	18	10	12	79
Ohio	439	415	550	2,674
Oklahoma	52	83	27	492
Oregon	64	81	94	523
Pennsylvania	325	347	239	2,342
Rhode Island	60	41	105	403
South Carolina	75	83	100	498
South Dakota	16	33	19	145
Tennessee	111	118	155	646
Texas	297	379	275	1,685
Utah	58	44	52	311
Vermont	28	31	23	150
Virginia	141	178	152	885
Washington	74	125	99	831
West Virginia	50	73	56	476
Wisconsin	178	171	204	1,057
Wyoming	22	25	11	138
Total 48 States	8,922	9,179	11,402	59,373

SIGNIFICANT INDICATORS

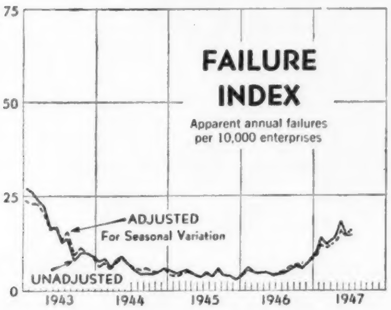
COMPILED BY THE PUBLISHERS OF "DUN'S REVIEW"

More detailed figures appear in DUN'S STATISTICAL REVIEW.

THE FAILURE RECORD

	July 1947	June 1947	July 1946	Per Cent Change†
DUN'S FAILURE INDEX*				
Unadjusted	14.2	14.1	3.9	+ 264
Adjusted, seasonally...	15.3	14.4	4.1	+ 273
NUMBER OF FAILURES....	299	283	74	+ 304
NUMBER BY SIZE OF DEBT				
Under $5,000.........	49	57	20	+ 145
$5,000–$25,000	138	133	31	+ 345
$25,000–$100,000	71	72	14	+ 407
$100,000 and over....	41	21	9	+ 356
NUMBER BY INDUSTRY GROUPS				
Manufacturing	107	95	36	+ 197
Wholesale Trade......	40	36	5	+ 700
Retail Trade.........	105	108	17	+ 518
Construction	17	23	9	+ 89
Commercial Service...	30	21	7	+ 329
	(Liabilities in thousands)			
CURRENT LIABILITIES....	$37,137	$18,982	$3,434	+ 981
TOTAL LIABILITIES.......	37,948	19,297	3,493	+ 986

* Apparent annual failures per 10,000 enterprises.
† Per cent change of July 1947 from July 1946.



FAILURES BY DIVISIONS OF INDUSTRY

(Current liabilities in thousands of dollars)	Number Jan.-July 1947	Number Jan.-July 1946	Liabilities Jan.-July 1947	Liabilities Jan.-July 1946
MINING, MANUFACTURING...	741	241	79,489	13,580
Mining—Coal, Oil, Misc....	6	10	518	1,081
Food and Kindred Products	48	14	12,567	594
Textile Products, Apparel..	68	18	3,131	275
Lumber, Lumber Products..	106	28	7,686	934
Paper, Printing, Publishing.	22	6	942	123
Chemicals, Allied Products.	37	13	8,689	1,208
Leather, Leather Products..	32	2	1,866	159
Stone, Clay, Glass Products.	19	5	941	265
Iron, Steel, and Products...	45	11	3,778	702
Machinery	159	70	21,548	5,486
Transportation Equipment..	29	18	7,527	696
Miscellaneous	170	46	10,296	2,057
WHOLESALE TRADE.........	249	45	13,267	2,234
Food and Farm Products...	52	14	4,694	1,225
Apparel	12	2	452	14
Dry Goods..	5	1	593	20
Lumber, Bldg. Mats., Hdwr.	23	2	1,531	208
Chemicals and Drugs......	13	4	188	47
Motor Vehicles, Equipment.	11	1	137	47
Miscellaneous	133	21	5,672	673
RETAIL TRADE.............	650	158	12,673	3,840
Food and Liquor..........	99	22	1,163	180
General Merchandise.......	24	8	328	142
Apparel and Accessories....	114	24	1,939	306
Furniture, Furnishings.....	105	9	1,563	861
Lumber, Bldg. Mats., Hdwr.	29	9	1,219	120
Automotive Group.........	62	28	1,079	1,351
Eating, Drinking Places....	123	34	3,888	541
Drug Stores...............	13	7	168	30
Miscellaneous	81	17	1,326	309
CONSTRUCTION	124	69	3,298	1,554
General Bldg. Contractors..	43	18	1,830	696
Building Sub-contractors...	76	49	1,068	564
Other Contractors.........	5	2	400	294
COMMERCIAL SERVICE.......	167	61	24,218	4,449
Highway Transportation...	76	17	19,619	3,040
Misc. Public Services.......	7	..	242	...
Hotels	2	1	2,884	687
Cleaning, Dyeing, Repairs..	9	5	376	25
Laundries	11	4	158	211
Undertakers	1	2	13	8
Other Personal Services....	9	10	183	80
Business, Repair Service....	52	22	743	398

WHOLESALE FOOD PRICE INDEX

The index is the sum total of the price per pound of 31 commodities in general use. It is not a cost-of-living index.

1947	1946	1947
Aug. 12..$6.59	Aug. 13..$5.30	High Mar. 4.$6.77
Aug. 5.. 6.57	Aug. 6.. 5.32	Low May 20. 5.05
July 29.. 6.51	July 30.. 5.24	1946
July 22.. 6.48	July 23.. 5.20	High Nov. 19. 6.49
July 15.. 6.52	July 16.. 5.20	Low Jan. 22. 4.12

DAILY WHOLESALE PRICE INDEX

The index is prepared from spot closing prices of 30 basic commodities (1930-1932 = 100).

	1947 Aug.	July	June	May	Apr.
1....	268.28	259.27	†	253.65	265.81
2....	268.62	259.53	254.37	253.08	262.93
3....	†	260.18	255.71	252.61	262.67
4....	268.33	*	258.26	†	* ....
5....	269.03	259.87	257.42	253.29	263.12
6....	270.73	†	257.46	253.39	† ....
7....	270.91	260.81	257.69	253.46	263.40
8....	271.22	259.80	†	253.91	262.43
9....	272.98	258.65	257.40	254.03	261.81
10....	†	259.77	256.76	253.83	262.26
11....	273.04	261.23	257.36	†	262.18
12....	271.91	262.50	258.25	252.95	262.02
13....	271.37	†	258.05	252.86	† ....
14....	271.93	262.60	258.30	254.09	258.28
15....	273.46	264.02	†	255.69	258.33
16....	273.43	265.69	257.91	254.35	259.73
17....	†	265.19	258.74	254.56	269.54
18....	273.70	265.75	259.79	†	258.78
19....	274.17	266.03	260.86	253.50	258.44
20....	......	†	260.15	254.37	† ....
21....	......	266.67	259.81	254.84	258.66
22....	......	266.57	†	254.30	257.74
23....	......	268.72	259.22	254.69	256.32
24....	......	268.87	259.73	255.48	256.28
25....	......	268.05	258.79	†	256.15
26....	......	268.44	258.27	256.06	257.05
27....	......	†	258.73	254.56	† ....
28....	......	268.77	257.76	258.81	255.75
29....	......	266.48	†	256.46	253.35
30....	......	266.34	258.25	*	254.23
31....	......	268.29		*	

† Sunday. * Markets closed.

BANK CLEARINGS—INDIVIDUAL CITIES

(Thousands of dollars)

	July 1947	July 1946	% Change
Boston	1,861,729	1,825,335	+ 2.0
Philadelphia	3,576,000	3,577,000	− 0.1
Buffalo	346,629	305,270	+13.5
Pittsburgh	1,132,760	1,089,365	+ 4.0
Cleveland	1,249,025	1,089,114	+14.7
Cincinnati	683,649	628,856	+ 8.7
Baltimore	827,829	758,787	+ 9.1
Richmond	455,234	401,543	+13.4
Atlanta	838,000	794,800	+ 5.4
New Orleans........	450,991	478,945	− 5.8
Chicago	3,022,015	2,740,925	+10.3
Detroit	1,452,589	1,238,454	+17.3
St. Louis..........	1,049,698	958,636	+ 9.5
Louisville	431,480	401,447	+ 7.5
Minneapolis	945,708	804,235	+17.6
Kansas City........	1,384,838	1,198,262	+15.6
Omaha	487,776	416,180	+17.2
Denver	380,382	339,104	+12.2
Dallas	890,442	764,728	+16.4
Houston	746,678	607,516	+22.9
San Francisco......	1,596,816	1,543,766	+ 3.4
Portland, Ore......	430,288	382,712	+12.4
Seattle	434,596	394,791	+10.1
Total 23 Cities.....	24,675,152	22,739,771	+ 8.5
New York.........	31,132,599	33,818,012	− 7.9
Total 24 Cities.....	55,807,751	56,557,783	− 1.3
Average Daily......	2,146,452	2,175,299	− 1.3

BUILDING PERMIT VALUES—215 CITIES

Geographic Divisions:	July 1947	July 1946	% Change
New England.........	$16,654,043	$10,078,224	+ 65.3
Middle Atlantic.......	52,935,815	58,322,848	− 9.2
South Atlantic........	33,776,460	18,922,442	+ 78.5
East Central..........	64,327,148	38,001,099	+ 69.3
South Central.........	37,877,828	22,327,382	+ 69.6
West Central..........	17,122,351	14,710,576	+ 16.4
Mountain	7,143,160	5,831,885	+ 22.5
Pacific	51,132,595	45,273,465	+ 12.9
Total U. S............	$280,969,400	$213,467,921	+ 31.6
New York City........	$26,952,358	$41,388,802	− 34.9
Outside New York City	$254,017,042	$172,079,119	+ 47.6

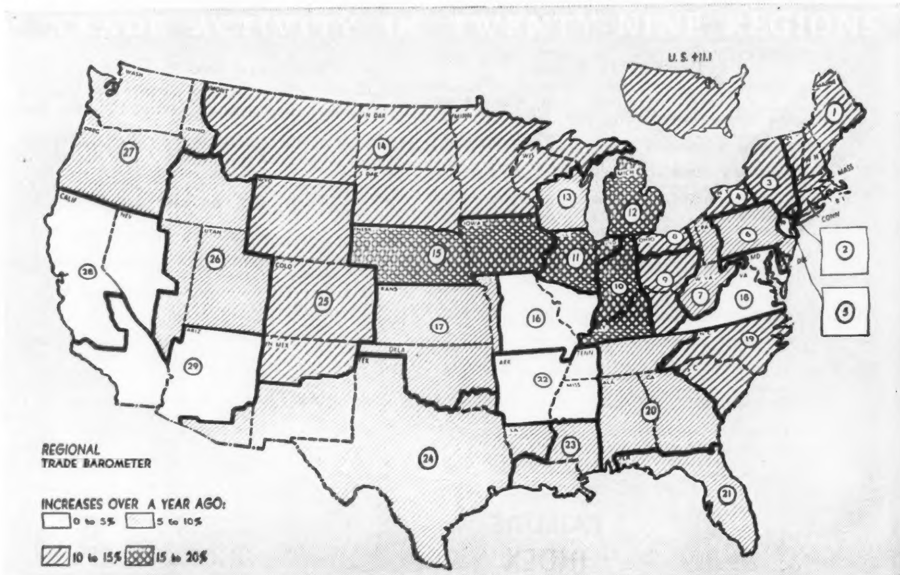
283. Although failures were below the post-war peak of 378 in May they exceeded the total for any other month in the past four years. The Failure Index shows some 15 concerns failing per 10,000 business concerns, a rate exceeded only once since August 1943.

Liabilities in July were double those in June, reaching a dollar aggregate of $37,137,000. This was the highest volume of losses for July since 1932, when liabilities climbed to an all-time peak. A sharp rise in large failures pushed up the July liability total. The number of businesses failing with losses of $100,000 or more rose to 41; of these, four involved liabilities in excess of a million dollars. More enterprises of all sizes went out of business than in the corresponding period a year ago. Over one-half of the liabilities involved in July failures were concentrated in commercial service where losses aggregated $19,863,000. Of this total, some ten million dollars were incurred in the failure of transportation companies. Liabilities in manufacturing amounted to $12,466,000.

About an equal number of concerns failed in manufacturing and in retailing, which together claimed two-thirds of the month's failures. Retail trade failures, totalling 105 this July, were over six times as numerous as in the same month last year. Wholesale trade also had a marked rise in failures, with 40 in July 1947 as compared with five a year ago. Mortality remained low in commercial service and construction with construction failures rising the least from the 1946 level.

Geographically, failures during July were heavily concentrated in the Middle Atlantic with 89, the Pacific States with 73, and the East North Central States with 57. No other region reported more than 21. Despite this concentration, failures were more widely distributed than in July a year ago when 30 states did not have any failures as compared with only eleven this year. California with a total of 61 had more failures than any other state; New York ranked next with 54. Forty-one failures occurred in New York City, almost three times as many as in any other metropolis. Chicago had a total of 14, a sharp rise from the two failures in July a year ago.

Brisk Buying Sustains Retail Trade



THE favorable consumer response to the usual August promotions and mark-down sales contributed to a moderate rise in retail volume during August. While dollar volume was only slightly above the high July levels, it was considerably above that of a year ago. With the supply of most types of goods increasing steadily, many items that were reported to be scarce early in the Summer have become much more easily available.

The high level of consumer purchases of commodities during July was indicated by the DUN'S REVIEW Regional Trade Barometer. The advance index of 275.0 (1935-1939=100) was 6.7 per cent above the 257.7 of a year ago and was only 2.2 per cent below the near-record 281.3 of June. These indexes are adjusted for seasonal variations and for the number of business days in the month.

The June barometer was the second highest on record; it was one-tenth of a point below the all-time high of 281.4 reached in March 1947 and was 11.1 per cent above the 253.1 of a year ago. The dollar volume of retail sales in June was close to $9 billions. (U.S. Bureau of Foreign and Domestic Commerce data.).

Retail activity in the 29 regions varied considerably during June. The lowest barometer was 215.6 in the Northern New Jersey Region (5) and the highest was 380.7 in the Florida Region (21). In eight regions the barometers exceeded 300.0 and in six regions they were less than 250.0. The highest barometers were in those regions located in the South and along the West Coast. Many of the lowest barometers were in the Northeastern regions. The sharp differences in consumer buying among the regions that occurred during the war years generally have not diminished during the past two years.

The small monthly declines in ten widely scattered regions in June were more than offset by moderate increases in most of the other regions. The barometers of the New England Region (1) and the Pittsburgh Region (7) were unchanged from the previous month. The sharpest increases were 5.7 per cent in the Denver Region (25), 5.3 per cent in the Florida Region (21), and 4.4 per cent in the Northern New Jersey Region (5). The largest declines were 5.7 per cent in the Portland and Seattle Region (27), 4.3 per cent in the Maryland and Virginia Region (18), and 4.1 per cent in the St. Louis Region (16).

The largest increases above a year ago were chiefly in the Middle West regions; this included the Indianapolis and Louisville Region (10), the Chicago Region (11), the Detroit Region (12), and the Iowa and Nebraska Region (15). While the barometers of the regions along the Pacfic Coast and in the South were among the highest in the country, the percentage increase above a year ago in many of these regions was less than 10 per cent. The smallest increases above a year ago were 1.7 per cent in the Northern New Jersey Region (5), and 2.8 per cent in the New York City Region (2).

REGIONAL TRADE BAROMETERS

REGION	June 1947	% Change from June 1946	% Change from May 1947
United States	281.3	+11.1	+1.2
1. New England	221.9	+11.5	0
2. New York City	246.9	+ 2.8	+3.2
3. Albany, Utica, Syracuse	266.0	+12.5	+2.9
4. Buffalo, Rochester	272.0	+10.7	+0.3
5. Northern New Jersey	215.6	+ 1.7	+4.4
6. Philadelphia	245.3	+ 6.7	+0.5
7. Pittsburgh	236.1	+ 9.9	0
8. Cleveland	283.2	+12.0	+3.5
9. Cincinnati, Columbus	294.0	+10.3	+3.1
10. Indianapolis, Louisville	298.5	+16.2	—1.6
11. Chicago	255.6	+16.8	+1.0
12. Detroit	286.7	+17.4	—0.3
13. Milwaukee	285.3	+ 8.6	—3.1
14. Minneapolis, St. Paul	264.6	+12.0	+1.5
15. Iowa, Nebraska	275.8	+16.8	—3.0
16. St. Louis	244.6	+ 4.1	—4.1
17. Kansas City	272.3	+ 9.8	+1.5
18. Maryland, Virginia	257.5	+ 4.9	—4.3
19. North, South Carolina	316.4	+11.8	—0.6
20. Atlanta, Birmingham	363.6	+ 7.2	+1.2
21. Florida	380.7	+ 5.5	+5.3
22. Memphis	311.0	+ 3.8	—2.0
23. New Orleans	309.9	+ 7.1	+3.7
24. Texas	335.3	+ 8.4	—2.4
25. Denver	280.6	+14.5	+5.7
26. Salt Lake City	288.0	+ 6.3	+1.1
27. Portland, Seattle	311.7	+ 8.2	—5.7
28. San Francisco	297.5	+ 3.8	+1.4
29. Los Angeles	305.5	+ 4.5	+0.5

A change in the method of reporting the sales of independent retail stores by the U. S. Bureau of the Census became effective with the June reports; this has slightly altered one of the factors included in many of the DUN'S REVIEW Regional Trade Barometers. Regions not affected by this change are 2, 3, 4, 5, 18, and 23.

The continuity of the series has not been impaired. The barometers reflect comparative changes in consumer purchasing of commodities in the United States and in the 29 regions.

(Regional reports begin on page 30)

Reports of Trade Activity in Twenty-Nine Regions

1. New England Region

Barometer unchanged from previous month; 21% below U. S. barometer. Wholesale trade slightly below a year ago. Manufacturing employment 1% below a month ago, slightly above a year ago. Woolen goods output increasing. Agricultural employment up sharply. New England department store sales 7% above a year ago.

2. New York City Region

Barometer gain over a month and a year ago slight; was 12% below U. S. barometer. Wholesale trade slightly above a month ago and a year ago. Industrial employment unchanged; moderately above a year ago. New York City department store sales 12% above a year ago.

3. Albany, Utica, and Syracuse Region

Barometer 5% below U. S.; gain over a month and a year ago slightly above U. S. gain. Wholesale volume moderately below a year ago. Manufacturing employment steady with month and year ago. Syracuse department store sales 4% above a year ago. Harvest of large cherry crop progressing rapidly.

4. Buffalo and Rochester Region

Barometer increase over a year ago below U. S. increase; 3% below U. S. barometer. Wholesale trade fractionally above a year ago. Buffalo department store sales 9% above a year ago, Rochester up 8%. Buffalo steel operations at 102.5% of capacity. Employment remained at high level of previous month.

5. Northern New Jersey Region

Barometer lowest of all regions, 23% below U. S.; monthly increase among the sharpest. Newark wholesale trade 4% above a year ago; department store sales up 7%. Industrial employment rising slowly; 6% above a year ago. Unemployed largely unskilled workers.

6. Philadelphia Region

Barometer gain over year and month ago less than U. S. gain; 13% below U. S. barometer. Wholesale trade close to a year ago. Factory employment unchanged in June; slightly above a year ago. Philadelphia department store sales 5% above a year ago. July farm employment up 15%, slightly below a year ago.

7. Pittsburgh Region

Barometer unchanged from May; 16% below U. S. barometer. Wholesale trade well above a year ago. Factory employment slightly above a month ago. Pittsburgh index of trade down 1% to 166.9, 4% below a year ago. Pittsburgh department store sales 5% above a year ago.

8. Cleveland Region

Increase above a year and a month ago slightly above U. S. increase; 1% above U. S. barometer. Wholesale volume moderately above a year ago in Akron, Cleveland, Toledo. Ohio continued claims for unemployment compensation 62% below a year ago. Cleveland department store sales 10% above a year ago.

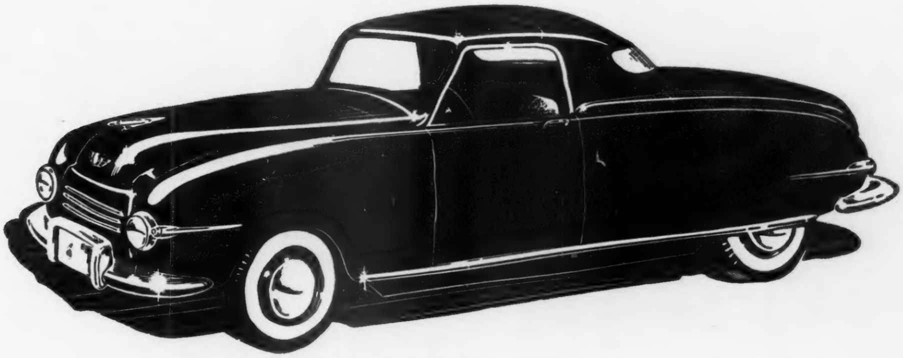
9. Cincinnati and Columbus Region

Barometer monthly increase moderate; 5% above U. S. barometer. Cincinnati wholesale trade slightly below a year ago; Columbus and Dayton up moderately. Industrial employment high. Cincinnati department store sales 10% above a year ago, Columbus up 5%.

10. Indianapolis and Louisville Region

Barometer gain over a year ago among the sharpest; 6% above U. S. barometer. Wholesale volume considerably above a year ago. Indianapolis department store sales 6% above a year ago, Louisville up 9%. Industrial employment high. Farm outlook good.

Proudly We Present



The Playboy

We are proud of our achievement in developing and producing the Playboy . . . . "the nation's newest car sensation" . . . . designed to meet the ever-changing car needs of America. In creating the new 1948 Playboy we have achieved new heights in modern car design and styling.

The Playboy is the first car in the entire automotive field with an all-steel convertible disappearing top! The Playboy is first again in combining the most important features of three body styles: business coupe, club coupe and convertible all in one. The Playboy is the first car in the low-priced field featuring a one-piece, all-steel, all-welded body and frame. The Playboy is the first car in the low-priced field featuring 4 independent coil springs, guaranteeing a level ride under the most rigorous road conditions. The Playboy is powered with a 4 cylinder, 40 horsepower Red Seal Continental engine, and equipped with 4 wheel hydraulic brakes.

The Playboy is 13 feet from bumper to bumper, has a height of 54 inches, and weighs 1900 pounds. The over-all width is 58 inches, and the seat is 4 feet, 3 inches wide, which enables three people to sit comfortably in the front.

Scientific road tests have conclusively proven how remarkably economical the Playboy is to own, since these tests have shown that it will give 35 miles on the gallon. . . . The Playboy can attain a speed of over 70 miles an hour. At this speed it hugs the road like a car twice its weight, insuring maximum protection and safety. All standard automotive parts are used in the Playboy, thus facilitating servicing and assuring added economy of operation.

To simply enumerate the new and revolutionary features incorporated in the Playboy is, however, not sufficient. Facts are important, but inadequate in visualizing this remarkable car. The Playboy is difficult to describe with words alone . . . . to fully appreciate its distinctive styling, its masterful performance and smooth riding qualities, you must see it and drive it yourself. Playboy automobiles are now in production and will sell for $985 F.O.B. Buffalo, N. Y. The Playboy will be on display at your local Playboy dealer's showrooms in the near future. See the new Playboy! Drive it! You will be convinced.

DISTRIBUTORS AND DEALERS ARE NOW BEING APPOINTED. APPLICATIONS ARE BEING ACCEPTED FOR DOMESTIC AS WELL AS FOREIGN FRANCHISES. FOR FURTHER INFORMATION WRITE EXECUTIVE OFFICES.

PLAYBOY MOTOR CAR CORP.

FACTORY AND EXECUTIVE OFFICES 988 ELLICOTT ST., BUFFALO 8, N. Y.

11. Chicago Region

Barometer well above a year ago, monthly rise moderate; 9% below U. S. barometer. Chicago wholesale trade 10% above a year ago; well above in Rockford, Springfield. Chicago department store sales 11% above a year ago; steel operations at 94.3% of capacity. Material shortages curtailed output in some industries.

12. Detroit Region

Barometer gain over a year ago sharpest of all regions; 2% above U. S. barometer. Wholesale volume well above a year age. Industrial employment steady with a month ago; moderately above a year ago. Automobile output declined slightly as steel stocks decreased. Detroit steel operations at 101% of capacity. Detroit department stores sales 14% above a year ago.

13. Milwaukee Region

Barometer 1% above U. S.; monthly decline moderate, gain over a year ago less than U. S. Milwaukee wholesale trade 10% above a year ago, Green Bay up 8%. Milwaukee department store sales 4% above a year ago. Shoppers attracted by seasonal promotions and mark-down sales. Crops later than usual; developing rapidly.

14. Minneapolis and St. Paul Region

Barometer monthly and yearly increase close to U. S. increase; 6% below U. S. barometer. Wholesale volume moderately above a year ago. Retail trade brisk; favorable response to many clearance sales. Minnesota manufacturing employment up 1%, 6% above a year ago. Montana unemployment at peace-time low in July.

15. Iowa and Nebraska Region

Barometer gain over a year ago among the highest; 2% below U. S. barometer. Wholesale trade compared favorably with a year ago. Iowa employment 1% above a month ago, 12% above a year ago. Nebraska department store sales 1% below a year ago. Estimated corn yield considerably below 1946 record level.

16. St. Louis Region

Barometer monthly drop among the sharpest; was 13% below U. S. barometer. St. Louis wholesale trade 5% above a year ago; department store sales up 12%. Many shoppers attracted by seasonal clearances. St. Louis steel production at 83.8% of capacity.

17. Kansas City Region

Barometer gain over a year and a month ago moderate; was 3% below U. S. barometer. Kansas City wholesale trade 10% below a year ago; up moderately in Oklahoma City, St. Joseph, Topeka. Oklahoma manufacturing employment 1% above a month ago and a year ago. Kansas City department store sales 7% above a year ago.

18. Maryland and Virginia Region

Barometer monthly drop second sharpest of all regions; was 9% below U. S. barometer. Wholesale volume 5 to 10% above a year ago. Industrial employment up slightly in Baltimore; steady with a month and a year ago in many localities. Baltimore department store sales 4% below a year ago, Washington unchanged.

19. North and South Carolina Region

Barometer well above a year ago, monthly decline moderate; 13% above U. S. barometer. Greensboro wholesale trade 15% below a year ago; steady to slightly above in Raleigh, Charlotte, Winston-Salem. Hosiery and furniture production moderately below 1946 levels.

20. Atlanta and Birmingham Region

Barometer second highest of all regions, 29% above U. S.: moderately above a year ago. Wholesale trade moderately below a year ago. Industrial production and employment close to previous high levels. Atlanta department store sales 5% above a year ago, Augusta up 1%. Birmingham up 5%, Nashville down 6%.

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21. Florida Region

Highest barometer of all regions, 35% above U. S.; sharp monthly increase, slightly above a year ago. Wholesale volume considerably below a year ago. Retail volume declined seasonally. Miami department store sales 4% above a year ago, Jacksonville down 1%. Citrus groves and tobacco crop in good condition.

22. Memphis Region

Barometer gain over a year ago among the smallest; was 11% above U. S. barometer. Wholesale trade 20% below a year ago in Memphis, Little Rock. Retail volume down slightly. Little Rock department store sales 7% below a year ago, Memphis up 3%. Industrial employment steady with previous month and a year ago.

23. New Orleans Region

Barometer increase moderately over a year ago and a month ago; was 10% above U. S. barometer. Wholesale trade slightly above a year ago. Employment and payrolls steady with high level of preceding month. New Orleans department store sales 4% above a year ago.

24. Texas Region

Barometer declined slightly, moderately above a year ago; was 19% above U. S. barometer. Wholesale volume moderately above a year ago. Dallas department store sales 3% below a year ago, Fort Worth up 6%, Houston up 2%, San Antonio down 3%. Wheat yield at record levels; unfavorable weather limited rice yield.

25. Denver Region

Barometer monthly rise sharpest of all regions, well above a year ago; even with U. S. barometer. Wholesale trade moderately above a year ago; up 20% in Albuquerque. Industrial employment high; farm employment down slightly but well above a year ago. Denver department store sales 3% above a year ago.

26. Salt Lake City Region

Barometer increase over a month ago and a year ago slight; 2% above U. S. barometer. Salt Lake City wholesale volume 23% above a year ago. Utah employment 2% above a month ago, 9% above a year ago. Outlook favorable for potatoes and sugar beets. Salt Lake City department store sales 4% above a year ago.

27. Portland and Seattle Region

Barometer monthly drop sharpest of all regions; 11% above U. S. barometer. Seattle, Portland wholesale trade 10% above a year ago, Tacoma up 5%. Washington industrial employment up 1%. Portland department store sales 6% above a year ago, Seattle up 2%.

28. San Francisco Region

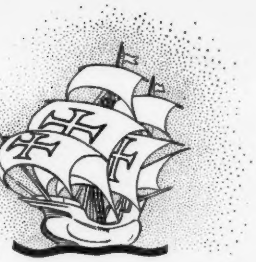
Barometer gain over a year ago among the smallest, monthly increase slight; was 6% above U. S. barometer. San Francisco, Sacramento wholesale volume 10% above a year ago. California manufacturing employment down 1%, 3% above a year ago. San Francisco department store sales 3% above a year ago.

29. Los Angeles Region

Barometer increase above a year ago and a month ago among the smallest; 9% above U. S. barometer. Arizona manufacturing employment even, 19% above a year ago; southern California 2% below a month ago and a year ago. Crop outlook good. Los Angeles department store sales 3% above a year ago.

Regional trade information is based upon opinions and comments of business men gathered and weighed by local DUN & BRADSTREET *offices. Payroll and employment data are from Government sources. Department store sales are from the Federal Reserve Board and are for the four weeks ended July 26, 1947.*

More complete barometer figures and more detailed regional information is published in DUN'S STATISTICAL REVIEW.



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PLEASE: READ WITH ATTENTION EACH ONE OF THESE ADVERTISEMENTS MANY OF THESE MAY OFFER YOU A GOOD BUSINESS OPPORTUNITY

AUSTRIA TODAY

(Continued from page 23)

more than 20 per cent below weight standards) are evident in less than one-tenth of the Vienna residents, according to U. S. Army clinical studies.

But the long-term results of undernourishment are not so easily measurable; nor are the psychological effects, the listlessness induced by the lack of fats, by the dreary, unchanging diet, the universal preoccupation with but one subject—food. An outsider in Austria is struck first by the mental and physical apathy of the people. The slowness of pedestrians' reactions is a continual exasperating hazard in driving. Military government representatives know too well the great difficulty Austrian officials seem to have in making the smallest decisions. Employers complain that workers' efficiency and productivity are unbelievably low—which is strikingly confirmed by production figures.

Black Market

It is small wonder that every citizen, even the most scrupulous, is tempted to try the black market. In Austria, there is no food legally obtainable that is not rationed, with the occasional exception in Summer months of some seasonal fruits and vegetables. This means that the Austrian, unlike citizens of many other European countries, never has a chance to supplement the ration with a restaurant meal; or to buy a sweet, or a roll, or a fruit drink.

The allowance itself has a deadening lack of variety. For months and months last year, Vienna saw no fresh meat, the meat ration being met consistently from military and UNRRA supplies of tinned meat-and-vegetable stew. It was seldom that a month's ration included one fresh egg for an adult. There was no milk except for children, and up to August 1946, *only* for children under six. Coffee, all ersatz, was obtainable only occasionally.

But in the black market, many things can be found—at a price. The fantastic level of these prices is perhaps in part a compliment to the control efforts of the Economic Police, but more, a sign of the basic supply—demand unbalance in the free market. In 1946 and 1947, that gulf has narrowed somewhat, partly through the exhaustion of the spendable cash reserves of the population and partly through the improvement in supplies. Black market prices in early 1947 had dropped 75 per cent compared with 1945. On the more "favorable" basis, in early 1947, for 70 schillings (seven American dolllars, at the official exchange) one might find a pound of bacon or of lard. A pound of sugar would take 60 schillings, a bar of chocolate 25, and two cigarettes—very effective in dulling hunger pains—could be had for 3 or 4 schillings, that is, about twenty times the prices in the United States.

To gage the significance of these free market prices, one must also compare them with the controlled prices (see table below) and with the prevailing level of wages in Austria. It is these comparisons that most accurately reflect the state of health—or rather, ill health—of this economy.

Black Market and Legal Prices

Vienna, February 1947

Item	Quantity	Legal Retail Price (In schillings)	Black Market Price (Average) (In schillings)
Flour, dark	*kilogram*	0.51	25.0
Bread, dark	*kilogram*	0.59	10.0
Beef	*kilogram*	3.20	53.0
Pork	*kilogram*	2.94	82.0
Bacon	*kilogram*	2.16	140.0
Lard	*kilogram*	2.16	140.0
Butter	*kilogram*	7.20	120.0
Vegetable Oil	*kilogram*	3.52	120.0
Sugar	*kilogram*	1.80	125.0
Saccharin	*100 tablets*	0.20	18.0
Eggs	*each*	0.26	6.0
Milk	*liter*	0.50	5.6
Wine	*liter*	7.20	28.0
Cigarettes	*each*	. .	1.4
Men's Shoes	*pair*	. . .	450.0
Wool Cloth	*meter*	. . .	325.0

Sources: Vienna Economic Police and Austrian Federal Ministry for Food.

A schilling is 10 cents; a kilogram, 2.2 pounds; a liter, 2.1 pints; a meter, 39.37 inches.

The inflation of official prices is still relatively moderate, although gaining momentum since Summer 1946. Up to March 1947, living costs had about doubled compared with April 1938. (In contrast, the official price index of France, with an economy less severely taxed than that of Austria, was ten *times* pre-war levels; in Italy, the increase was almost forty *times*). However, it must be remembered that in Austria the absence of severe legal inflation can by no means be taken as a sign of stabilization.

Contrasts in Real Wages

Wages have risen more slowly than official prices, the average increase through the end of 1946 being about 50 per cent since pre-war. As a result, the level of real wages has been appreciably reduced. Comparisons with trends in our own country are particularly interesting. Austrian prices for food and other staples, at the official exchange of ten schillings to the dollar, have recently averaged about half United States prices for comparable goods, but in wage incomes the disparity is striking. The monthly wages of skilled male workers in Austria range between 220 to 280 schillings, of unskilled workers 160 to 240 schillings. Austrian bricklayers, for example, receive 1.50 to 1.60 schillings per hour—American bricklayers (again, on the official conversion rate) 15 times as much.

Though the incentive is present, it may seem hard to conceive of these wage incomes offering any margin for black market buying. At these rates, it would take two weeks' wages to buy a pound of bacon on the black market. Without doubt, the great bulk of illegal purchasing has represented withdrawals from savings or the surplus cash of the well-to-do. These reserves are now greatly diminished. (It is true that even under present conditions, it has been possible for some people to live quite well. Nevertheless, one is not aware in Vienna of the disquieting, flagrant contrasts of living found in Paris or Rome, where stores that have not enough bread still can offer succulent pastries to those who can pay.)

That wage earners have also participated in the black market in Austria is conceivable only when one realizes how small is the amount of legal buying that can be done. The scarcity of goods actually is so pronounced that legal spending often cannot absorb even the wages of the lowest category of workers, if they do not have dependents. The entire food allowance for

the "normal consumer" last Autumn cost him less than 50 groschen per day—about 5 cents.

There is very little else for him to buy. At present production rates, he might have to wait five years for a *bezugschein* (ration certificate) entitling him to purchase a pair of shoes. Clothing, hose, and cloth are equally scarce. The shortage of all fuels is extremely acute; in Vienna, for example, gas is shut off 18 hours out of every 24. Drugs, except the very simplest, vitamins, and medical supplies, usually require a doctor's prescription. A maximum of 55 cigarettes per month can be bought legally. Passenger train tickets are sold only to business people, students, and those having a valid reason for travel.

Since rents are well controlled, it is probable that a wage earner with a family of three last Autumn could cover household expenses and the cost of the little he might legally buy with about 170 schillings a month. In the "typical" wage earner budget given below, expenditures over that amount represent seasonal buying of ration-free fruits and vegetables but, for the most part, extra-legal buying of food.

Threat of Inflation

The previous discussion has dwelt in some detail on the disparity in the individual instance between income and goods available for purchase, because it is this disparity which is at the root of Austria's urgent economic problems. In more general terms, it is the contrast between the low level of produc-

A Month's Budget for an Austrian Family of Four

(Expenditures of an Iron-Worker Earning 228 Schillings Per Month)

Item	Schillings
Food	126.25
Rent and Upkeep	18.00
Household Cleaning and Laundry	4.50
Clothing and Linen	11.68
Light and Heat	20.26
Household Furnishings	14.20
Recreation and Education	4.70
Transportation, Auto, Tram	7.90
Health and Physical Care	5.19
Personal Requirements	7.54
Tobacco, Cigarettes	6.60
Alcoholic Beverages	1.98
	228.80

Source: Secretary of Trades Unions in Province of Carinthia, Austria.

One of a series of advertisements showing the importance to American industry of the underwriting and distribution of investment securities

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In 1946 the fruits of good management included $48,000,000 in salaries and wages for employees . . . nearly $5,000,000 in dividends to 32,000 stockholders whose total investment averaged $13,000 per employee. And, in times of rising costs, Atlantic had helped the industry keep its prices down.

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tion and the swollen money supply that reveals the ever-present threat of disastrous inflation around the corner.

Austrians know that the success their country has in averting this threat may very well determine not only her economic position in the next years, but her political future. Her orientation now is, without question, toward the Western democracies [2], but her position is a delicate one, both geographically and economically. She lives on the edge of the Communist-dominated region of Europe, and shakily, on the brink of economic collapse.

What are some of the larger obstacles that Austria faces in her efforts to close the inflationary gap? A quick glance at these will illustrate the magnitude of the problems to be met before a normal balance can be restored.

1. Currency in circulation was approximately 850 million schillings in 1937 and in March 1947, 5,900 million schillings. Against this, the Austrian National Bank holds gold and foreign exchange to the value of 1 per cent of the issue. The government recognizes the seriousness of the currency expansion but feels itself helpless to effect stabilization until relieved of the burden of occupation.

2. As of March 1947, half the note circulation, or 2,900 million schillings, represented issues for occupation costs. It was estimated that while these costs would be less in 1947 than previously, they would still amount to 720 million schillings, or 15 per cent of the national budget. Approximately 100,000 troops of four Powers still occupy Austria. From July 1, 1947, the American forces will cover their costs of occupation in dollars, which will not only relieve Austria of the schilling expense, but provide precious dollar credits. However, only a treaty can really eliminate this military burden on the economy.

3. Necessary imports in 1947 are estimated by the government at $280 million of which, it hopes, about $115 million can be covered by exports. Without external assets of her own to meet a prospective 1947 deficit in the balance of payments of at least $150

(*Continued on page 44*)

[2] Austria's controlling political party, the Volkspartei, received popular support from the conservative peasants, landowners, and middle class. In the 1945 elections, the Communist Party polled less than 5 per cent of the national vote. One Communist holds a cabinet position, the Minister for Power, whom the Viennese refer to as the "Minister who would like Power."

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million, Austria depends completely on foreign credits for her economic salvation. How much of this deficit will be covered by Austria's share in the $350 million foreign relief program of the United States is not yet known.

4. Of the restrictions on expansion of output, the labor shortage is one of the most basic. There is not only a shortage in numbers, affecting particularly the skilled trades, but a low level of productivity which derives from several factors. The poor diet reduces energy and lowers both efficiency and initiative. The search for food on the black market encourages absenteeism[8]. Improved labor productivity, therefore, depends to a great extent on factors that will awaken in the population a will to work and hope for the future.

5. Shortages of raw materials are so pervasive that it is impossible even to outline them all here. Coal, as in most of Europe, is the number one industrial need. During last Winter the shortage of coal and power forced production as low as 15 per cent of pre-war. Since Austria's major suppliers have been Eastern-bloc nations (Poland and Czechoslovakia accounting before the war for 72 per cent of her coal imports), this need points up the secondary economic problems that would arise from a political bisecting of Europe. For the present, however, adequate coal supplies seem assured for the rest of 1947, through a United States grant of $13,500,000 announced in July.

6. War destruction and the depredations of the Military have inflicted grave damage on Austrian industry. It has been estimated that the Russians alone have removed equipment to a total value of 600 million schillings. The future of 169 industrial plants, which the Russian army requisitioned as German assets, is still uncertain. As a restriction on production, the loss of capacity ranks second to the shortage of raw materials, since it is this latter that has prevented a full utilization of existing capacity. Nevertheless, capacity losses cannot be underestimated. Not only do they slow the expansion of output but also the recovery of a normal industrial balance, both of which in turn determine the increase in exports

[8] In one of Vienna vaudeville's popular gags these days, the first comedian asks "Are you working?" The second replies, "How can I afford to work? I have a family to feed."

which is so essential to the economy.

7. In agriculture, there is a drop in acreage and also a decline in yields compared with pre-war. At that time, Austria produced 70 to 80 per cent of the food she consumed (at a diet of 2,800 to 3,000 calories) and was an exporter of sugar and dairy products. Now her food problem is so acute that UNRRA found it necessary to devote 90 per cent of its $137 million program for Austria to food essentials, thereby greatly limiting the assistance it could give toward rebuilding and rehabilitation. Fertilizers are urgently needed to restore yields, as are equipment and seeds. Much of this will have to come from imports. Beyond that, there is an obvious need for a more vigorous food collection system by the government. An administration owing its voting strength to peasants and farmers is naturally somewhat inhibited in forceful prosecution of these groups. Unquestionably, more effective domestic controls are essential to secure maximum production in legal channels.

Giving only a hint of the manifold economic problems, this summary may nevertheless suggest the kind of vicious circle in which reconstruction has bogged down. Destitution feeds on itself. The shortage of labor arises in part from the shortage of food and of goods to buy and in turn creates those shortages. Peasants have less encouragement to produce because money will not buy them supplies on the commercial market. Because of coal scarcities, production schedules cannot be met to fill barter agreements with other countries that would bring in more coal.

What can break this economic deadlock? It is certain that impoverished Austria cannot do it alone. A nation that has too little of everything in the present must have hope in the future to survive. A people completely preoccupied with the struggle for bare necessities of living measures this hope not in words and ideals, but in simple essentials, in bars of soap, grams of bread, and tons of coal. Austria waits for her future to be written in the assistance programs for Europe growing out of UN commissions and the Marshall Plan. Her geographic position in the center of Europe is significant. Politically as well as economically, Austria stands at the crossroads.

THE IMF

(Continued from page 16)

vious period. Implicit usually in the statement of a percentage of under-valuation or over-valuation is the assumption that in the selected base period the exchange rate or currency parity (in terms of gold) was the "correct" one.

Since most of the last 20 years are characterized by rapid change and general disequilibrium, the selection of a base period as a year of world equilibrium becomes important—and a matter about which differences of opinion can and do exist. Add to that the fact that the greater the lapse of time between the base period and the month under consideration the less reliable are all comparisons.

The unreliability increases, naturally, when a world war has intervened between the base period and the year in question. And, to cap the climax, add also the fact that in the case of a number of currencies more than one exchange rate prevails and that there exist many types of frequently altered restrictions and subsidies to foreign trade. When all these considerations are taken into account, it becomes obvious how completely inadequate the purchasing-power-parity formula is.

Appraising Rate Factors

This is not to say that complex quantitative measurements—properly selected, weighted, and used—do not throw some light on the problem. Of course, they do. And they are of use in the appraisal of an exchange rate, particularly where the discrepancies indicated by the measurements are very large. The more stable the economic conditions, the more weight can be given such measurements. But at a time like this much less importance can be attached to them and much more to a multiplicity of other factors.

Weight must be given at all times to factors other than price and exchange movements as well. These include: (1) The level of gold and foreign exchange reserves of the country in question, and the recent behavior and present prospects of those reserves; (2) the level and trend of the country's exports and imports; (3) its balance of pay-

ments prospects; (4) its credit standing and plans and chances for foreign borrowing or lending; (5) its recent monetary history; (6) the domestic and international political situation; (7) the condition and prospects for world trade and imminent business prospects; (8) the degree of public confidence in present exchange rates; (9) the effectiveness of its exchange controls and the size of its black market. All these considerations play an important rôle in determining the appropriate rate of exchange for a country at all times; in times like these, they must be given greater weight than ever.

Setting Currency Parities

Special considerations, over and above appraisal of the factors enumerated above, influenced the Fund in its decisions. First, and most important, was the fact that the Fund was being called upon to accept or contest an existing parity desired by the country and on the whole working well under the then existing conditions. It was considering not simply how much a parity should be changed, but rather if it should be changed at all, and if so, how much. The Board, therefore, had to give consideration to the fact that there are certain advantages in maintaining any existing rate and that these advantages are lost whether the change made is small or large, or up or down.

Second among the special considerations was the fact that an "appropriate" currency parity—or "equilibrium rate," or "correct rate," or "real value," or "just value" (for it is loosely referred to by many names)—cannot be said to exist only at one precise point. Those who are familiar with the intricacies, ramifications, and assumptions of the concept of an "equilibrium" rate will agree rather surely that in times like these certainly, and probably even under more stable conditions, there is no such thing ascertainable as one precise "equilibrium" rate. They will agree that there is a range within which a number of equilibrium rates might be said to exist. They will also understand that in times of rapidly changing economic conditions and shifting international economic and political relationships, the area of potential equilibrium rates is in practice much

(Continued on page 50)

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broader than it will be when economic relationships have jelled.

Under present conditions, and for most currencies, to insist on a change in parity of only a few per cent on the grounds that the existing rate is "out of line" by that amount would be to border on the ridiculous. (Indeed, depending on how an equilibrium rate is defined, actually several ranges containing equilibrium points are possible, but to discuss that would take us too deeply into the subject.)

Thirdly, there existed, and still exists, what is usually referred to as a world seller's market. This is a condition in which moderate changes in price do not count for much in increasing or decreasing the volume or the pattern of trade; the chief factor limiting exports in a seller's market is the ability to produce and ship goods—not price competition. Therefore, changes in currency parities become a relatively unimportant consideration when there is a question of trying to increase foreign exchange revenue.

Devaluation

Now, it is quite true that as the world gradually shifts from a seller's to a buyer's market, as price begins to be a more important consideration in the struggle for markets, and as inflation is checked and prices level off (or decline and unemployment grows), some of the disadvantages of devaluation become less important and even disappear while the advantages are apt to become greater and even in some cases may outweigh the disadvantages. Yet there is nothing to be gained by anticipating such a situation, and there is something to be lost.

No one can be certain what developments will take place. To postpone devaluation may make it unnecessary to devalue at all. Furthermore, premature devaluation sets in motion forces which operate to prevent the trade benefits normally expected from devaluation and, as a result, pressure for a second devaluation develops at the very time it was expected that the first devaluation would become effective.

This is so because, owing to the devaluation, domestic prices in the interim will have been subjected to additional upward pressures at home. Then too, confidence in the currency will have re-

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ceived another blow, and probably capital inflow will have been discouraged and capital outflow encouraged. Therefore, so long as there are no immediate and substantial gains to be obtained from altering a currency value, it is usually better to keep it where it happens to be.

After careful examination from all angles and after weighing the advantages of change against the disadvantages, this is precisely what the Fund concluded in the case of almost every currency. We decided that under present circumstances there was little to gain and much to lose by change. Six months from now, or a year, or two, or three, the situation for some countries may change and in certain cases depreciation or appreciation will be warranted. It is not impossible, for example, that the United States balance of payments may continue so "favorable" during the next several years as to put unbearable pressure on the gold and foreign exchange reserves of most other countries. Our export balance of goods and services may continue so large for tariff or other reasons and our export of capital may decline so drastically in a few years as to make it impossible for other countries to meet their current obligations to us.

It is not impossible that under those circumstances the most feasible corrective might be the adoption of a program involving among other things not depreciation (in terms of gold) of most other currencies, but appreciation of the United States dollar (in terms of gold). If everybody is out of step except Johnnie, it may be wiser to put him in step—even if Johnnie happens to be the richest man in the procession—rather than to make everybody else shift.

Effect of Time on Balance

No one can say with any certainty what will happen to balance of payments positions and appropriate exchange relationships several years hence. The situation is rapidly changing and much depends on international political developments; even more depends upon the course of business activity here in the United States and on our foreign lending policy. The pattern of exchange rates now prevailing in most of the world will doubtless remain much the same for some time;

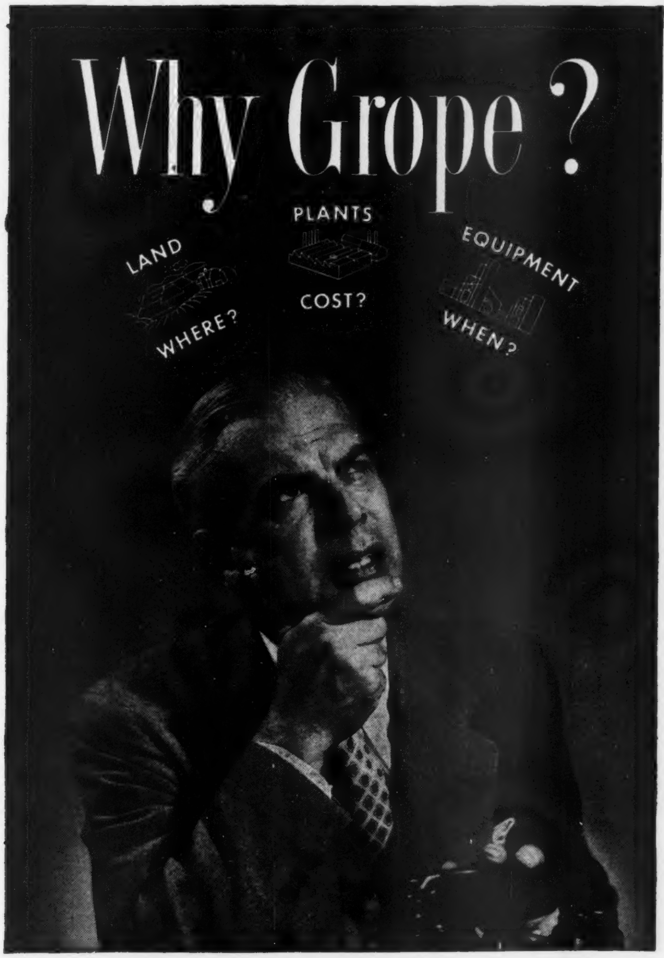
but changes here and there are inevitable, the wisdom of contemplated changes can only be appraised in the light of the then existing circumstances.

A word about black market rates. One frequently hears—especially from those who have recently been abroad—that such currency is selling in the black markets at a large discount in terms of the United States dollar and that therefore, the official rate accepted by the Fund is a "phony," a miscalculation, a fraud. Now it is, of course, true that black market rates which vary considerably from an official market rate are a sign that something is wrong. But what may be wrong is not necessarily the level of the official rate. The importance of a black market rate to the selection of an equilibrium rate differs in each case. At times it has considerable importance—more often it has little. It depends on the size of the black market, on the effectiveness of controls, on the cause of the market, and on the history and trend of the discrepancy between black market and official rates.

Soundness of Rates

Altogether, the charge that the initial rates agreed upon by the Fund are "unrealistic" is curious. If there is one thing that may be said of the accepted parities, it is that they are realistic. Acceptance of the rates proposed by the member countries was not dictated by adherence to any arithmetical formula—either simple or complex—or by an uncritical traditional approach, or by academic reasoning as to what might constitute an ideal rate structure. They were accepted only after a careful appraisal by the Fund of the many considerations involved in the problem.

The test of the soundness of the Fund's decision will not be whether some of the rates have to be altered when the world economic situation changes. Not all currency parities in a world of change and free enterprise can be fixed at a given point permanently. Some change, sometime, is inevitable and desirable. The test of sound judgment is that the rate structure should yield the highest level of world trade and promote the most widespread prosperity for as long as possible. The permanent fixity of the entire world exchange rate structure is not a precondition to the attainment of the objective.



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WAR ASSETS ADMINISTRATION
OFFICE OF REAL PROPERTY DISPOSAL

936-8

EMPLOYMENT

(Continued from page 20)

are essentially expressed as the physical equivalents of 1939 vehicles. If in 1950, better and more durable cars were produced, costing more and requiring more man-hours relatively in their fabrication, the actual number of vehicles represented by the estimates might be lowered without altering the dollar sales or employment figures.

Production Estimates

The industry affected most immediately by high levels of motor vehicle ownership is the petroleum refining industry. Both full employment models imply roughly the same level of crude petroleum production, about 2.6 billion barrels. This not only surpasses the previous peak output, 1.7 billion barrels in 1944, but it is more than refineries could currently handle. Current refining capacity, assuming a 24-hour run, is about 2 billion barrels of crude annually. The 1950 estimates imply a 30 per cent increase over this level. If petroleum capacity were expanded at the same rate as during the 1929-1945 period, it would take almost 15 years to bring capacity to the estimated production level, but at the pre-1929 rate only three years would be required.

The high levels of motor vehicle ownership also imply production of about 110 million tires, 65 per cent above the 1929 peak. One of the conventional regression methods of estimating yielded a similar result. There are no data available on current capacity. In 1929, however, the practical capacity of the industry was estimated at 92 million tires.

The estimates for steel ingot production in 1950 are of unusual interest, not only because of the basic importance of steel, but also because the demand for steel is almost completely a derived demand. The estimates of 98 million short tons of ingot steel for the consumption model and 120 million for the investment model depend on high levels of demand for motor vehicles, construction, machinery, and other steel-using products. The per capita consumption of steel implied by the figures is higher than any previously recorded, because per capita purchases of steel-using products are also estimated

to be higher. Both models yield estimates of steel production well above current capacity and also above the wartime peak of 89 million tons in 1944.

Two other published analyses of factors affecting steel demand were investigated.[5] Under similar assumed conditions, these methods gave estimates either consistent with or higher than those presented above.

Construction Requirements

The level of construction activity in 1950 will have a decisive effect upon the production of many commodities, especially brick, cement, and lumber, and to some extent, steel. For this reason, the requirements for these commodities in the consumption and investment models differ considerably. For cement, the estimates range from 186 to 310 million barrels; for bricks from 7.3 to 11.9 billions; for lumber, from 47 to 64 billion board feet.

Although current capacity appears sufficient to meet the lower range of these requirements, the upper range would require expansion for at least one commodity, cement. Portland cement capacity declined by over 30 million barrels between 1929 and 1944, when it reached 240 million barrels annually. This is far above the 1950 estimate. In fact, 1947 production will probably surpass the 186 million barrels required under the consumption model.

Lumber presents a different problem. Even though the minimum estimate for 1950 is above any previous year, there is probably capacity available to process the lumber required under either set of full employment conditions. The problem here is the conservation of a natural resource.

The wartime peak production of electricity, 231 billion kilowatt hours, is overshadowed by the 252 and 238 billion estimates for the consumption and investment models. The amount of generating capacity needed to produce this amount of electricity depends upon the intensity of use or "use factor" of generating equipment. This factor is the ratio of the actual generated output to the output that would have been generated if the equipment had operated a full 8,760 hours during the year.

During the war, longer hours and the

[5] *War Plants Disposal: Iron and Steel Plants*, 79th Congress, First Session, Report 199, Part 3, Washington, 1945; and National Resources Committee, *Patterns of Resource Use.*

use of multiple shifts resulted in higher energy output without corresponding increases in generating capacity. In fact, about 53 per cent of theoretical capacity was utilized in 1944, the highest ratio ever experienced. If this use factor were to prevail in 1950, the basic generating capacity needed would range from 51.3 to 54.3 million kilowatts, as compared with a generating capacity of 50.4 million kilowatts on January 1, 1947. However, under normal peacetime conditions the 45 per cent use factor of 1941 is much more likely to prevail, giving an estimate of required basic generating capacity in the range of 61 to 64 million kilowatts.

A report issued by the Westinghouse Company estimates that under boom conditions in 1950 energy requirements might total 270 billion kilowatts, which, depending on the use factor, would demand a generating capacity of from 68 to 77 million kilowatts.[6] In addition to any expansion of generating capacity, the Edison Electric Institute reports that from two to three million kilowatts of equipment must be replaced by 1950.

Only small comfort can be found in the fact that full employment in 1950 would require hauling substantially fewer revenue ton miles of freight than the wartime peak of 741 billion. The factors whch permitted the railroads to meet wartime demands, full loads, long hauls, and faster turnabout time, will not be present in 1950.

A Doubtful Undertaking

Capacity measurement for the services, for retail trade, for agriculture, and similar industries is a doubtful undertaking. There are few, if any, objective rules of measurement that can be used. Nevertheless, the results obtained suggest expansion in these fields as well. The required level of employment in trade varies from 9.5 to 10.4 million persons, while the present level of employment probably does not exceed 8.6 million. It is doubtful if an additional one to two million workers could be employed unless there was a volume of commercial construction in coming years. For hotels, a closer approach to capacity measurement is possible, the rate of room occupancy. Under either of the 1950 patterns, the rate of occu

[6] *Westinghouse Economic Bulletin*, August 1946.

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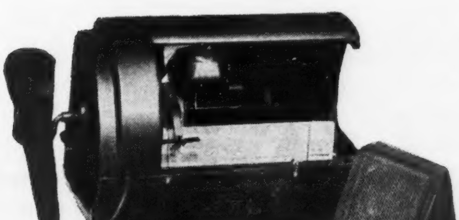

Model AE, with either hand or desk microphone.

DICTAPHONE

Electronic Dictation

pancy implied is over 100 per cent of the rooms available in 1939.

In considering the estimates presented above, keep in mind that they refer to a situation in which it is assumed that the economy generally is operating at a high level and with high general efficiency. The results may assist in appraising the possible consequences of less favorable assumptions.

Future Industrial Capacity

Higher unemployment and lower general efficiency might be assumed for 1950, reducing the total level of production by 10 or 15 per cent. Even under such conditions, it appears that production in some industries might exceed current capacity. Moreover, the estimates presented refer to production only; normally capacity must be at even higher levels for smooth, regular operation. These results suggest that there is some foundation for the present concern about future industrial capacity.

In some cases, information dealing with potential limitations on either demand or production can be found for specific products—information which could not be included in the original analysis covering all industries. There are for some industries excellent reasons to believe that production in 1950, and hence employment, could not reach the levels estimated for either model. But taking account of these limitations for any one industry would also require that additional employment and production be allocated to other industries; otherwise the desired full employment total of jobs would be lost.

Shifts of this nature might actually occur, but it is clear that this possibility does not change the general dimensions of the capacity problem. The strain might be eased for one industry only to be accentuated for another.

There is another factor which tends to blur the outlines of the estimates as applied to particular capacity problems. In general, no specific account could be taken in the analysis of the introduction of new products. It was implicitly assumed that new products would be manufactured by and accommodated within the framework of the established industries. In view of the broad industry classifications used and the tendency for new items to join existing

(*Continued on page 66*)

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product families, this assumption seems tenable for broad analytic purposes.

Nevertheless, to the extent that productive effort is diverted to new products, additional industrial equipment would be required to manufacture the new items, and the demand for established products would be lessened. The total pressure on industrial capacity would not thereby be decreased, but it would be altered in character. The real question is the extent to which the introduction of possible new products could alter the general pattern of demand by 1950. As a footnote to this discussion, if the possible new products are fabricated from the same basic materials, the demand for such materials and hence the pressure on capacity in the industries supplying them might hardly be affected by the change.

Capacity Needs and Investment

To move from estimates of physical capacity requirements to estimates of the dollar volume of investment outlay required is a difficult and hazardous step. First of all, some of the existing pressure on capacity could be relieved by widespread reductions in the work week. In the past, the American people have preferred to take part of their increased productive ability in more leisure rather than more goods. For a good part of the nineteenth century the common work day was 12 hours; before the First World War a 60-hour work week prevailed in many industries; by 1939 the average work week in all manufacturing was less than 40 hours.

Furthermore, it may be possible for capacity to expand to some extent without an equivalent expansion in investment outlays. During the twenties, for example, the volume of industrial production and capacity increased considerably despite the fact that outlays for plant and equipment by manufacturing industries did not exceed depreciation allowances by any considerable margin. As a result, total value of capital assets in manufacturing industries showed little change during this period despite a marked increase in production.

Despite these possibilities, it appears that any substantial expansion of industrial capacity in the next few years may require relatively large capital outlays. Here we again face the executive's di-

lemma. Expansion of capacity is usually undertaken in response to a relatively short-term favorable outlook, and it is frequently necessary if a firm is to retain its competitive position and its regular customers. But if markets later decline, the added investment usually means heavier overhead costs and a tighter squeeze between depressed prices and inflexible fixed charges. Not until we can insure against unexpected and disastrous declines in production levels can expansions in capital commitments be made with assurance that both long-run and short-run prospects for a profitable return are good.

In the short run, the pessimist has all too often been right in his view. In the long run, if the growth in industrial capacity which has been our main strength in both war and peace is to continue, the optimist will find his justification.

FAIR DAY'S PAY

(Continued from page 13)

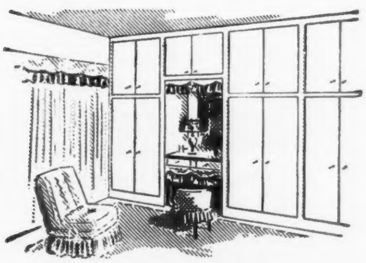
automobiles, refrigerators, radio sets, electric switches, etc.

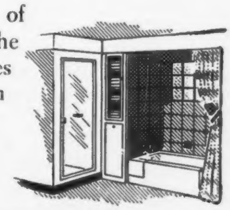
The two systems of incentive work and production line combined in the early twenties to produce the most rapid productivity increase this country has ever experienced. In the period from 1919 to 1939 the increase in output per man-hour brought about a 40 per cent drop in unit labor costs, thus permitting an average increase in hourly earnings of over 25 per cent and reduced prices to consumers.

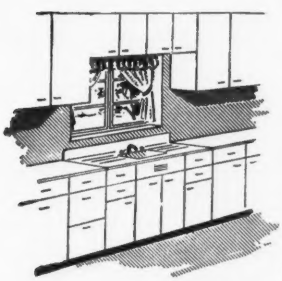
These figures demonstrate the success of these various plans for production control based on the principle of a fair day's work for a fair day's pay. The improvement and refinement in production methods continued until the late 1930's.

After 1936, which is considered by many to be our most efficient year, the high efficiency of incentive plans commenced to slip. It is not mere chance that the period of this decline coincides with the large expansion of the labor movement in the United States.

Several factors have led to a deteriora-







tion of incentive plans and productive effort. The war with its tremendous demand for manpower brought inexperienced and inefficient workers into industrial plants. Normal output standards could not be applied to such workers. Some companies made the serious error of easing their standards to give higher earnings and attract additional workers. Plant-wide incentive plans were introduced in companies like Grumman Aircraft, Electric Boat Company, and others in late 1943. These plant-wide plans had the failing that the individual worker was far removed from the "task" that was set. He could not see a direct relationship between his output and his reward.

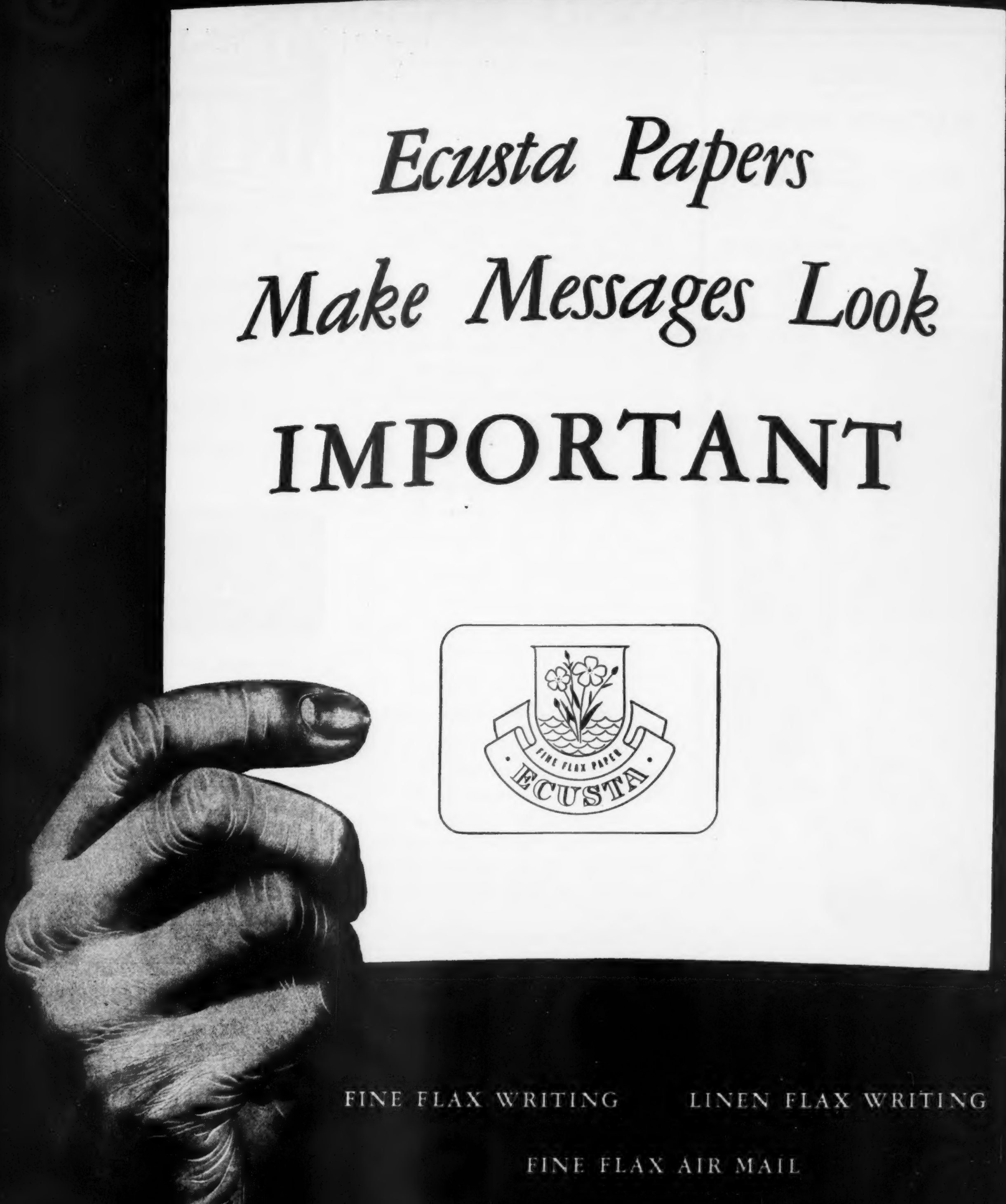
Many companies weakened the effect of their incentives by including indirect workers such as crane men, storekeepers, sweepers, truckers, inspectors, and the like. Frequently this inclusion resulted in a flat percentage or bonus added to the weekly earnings, a percentage which most such companies now discover is a fixed part of their wage structures.

In the past few years, flat increases have been added to piece work earnings of workmen. These have amounted to as much as 50 cents an hour in some plants, forming a substantial part of the workman's pay. The guaranteed day rate plus this 50 cent bonus is so large as to overshadow the amount proportioned to incentive effort. The urge to produce is not so great as before.

Collective Bargaining

The greatest step in the weakening of incentive systems was when they were brought into collective bargaining. The scientific approach to determining a fair day's work begun by Frederick W. Taylor was replaced by an approach based on compromise and determined by a trial of strength at the bargaining table.

A labor union, by its very nature, is not in a position to take the responsibility of setting proper standards. Unless a union leader is a fool—and few of them are—he will not risk grievances from his membership with respect to standards of output where he participated in their determination. When the union is granted an equal voice in the setting of rates, the union representative must play it safe for his own protection.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The standards upon which incentive systems rest must be determined objectively and not from a trial of relative bargaining strength. The suspicion with which many workmen already view company set standards can only be confirmed if—without any justification other than union pressure—standards are changed through bargaining. Standards should be set objectively and challenged on the basis of objectivity alone.

Although there are many plants where incentive systems are still fairly effective, a fair appraisal of the whole field of incentive application indicates that such systems have lost much of their original effectiveness.

The question may be asked how to abandon or improve one of these wage incentive plans that has gone astray and gotten out of hand. The only solution I know is mutually to agree to place the plan back to a sound basis, using scientific methods and procedures of the past. Unless this is done, both the plant and the worker are going to be hurt.

Fixed Hourly Rates Only

There is an equally important group in industry who are now paying fixed hourly rates without any incentive plan or a measured work system. The question these companies are asking is, "How are we to obtain a fair day's work for the high hourly rates which we pay?"

Without some standard to serve as a work measurement, the output of any worker tends to fall to the level of the poorest of the group. A good workman soon wonders why he should produce more work in a day than a poor, lazy, or indifferent workman who receives the same rate.

Since, under the single day rate system, his earnings are not adjusted to his output, the natural reaction is to adjust his output to that of the less efficient worker. If he has and desire to produce at a higher rate, he is soon discouraged by his associates.

I believe that the answer to this problem is to set up standards of performance and adjust the hourly rates of individuals up or down in accordance with their output; in other words, measured day work.

A sound measured day work plan has

"Holland Calling"

The undermentioned Trade Representatives and Traders in Holland are interested in establishing business relations WITH YOU. Direct all correspondence to these concerns at addresses given. This is a paid advertisement.

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MANUFACTURERS OF ALL KINDS OF KITCHEN GOODS AND HOLLOWWARE. A1 QUALITY. "WHITE CAT" BRAND.

BOOM-RUYGROK LTD., Printers and publishers, Harlem, Holland. Make first-class printing works, also for export, are at the same time publishers of many trade journals a.o. *De Auto; Vliegwereld; Weekblad Voor ac Vakgroep Smederij; Textiel & Mode; Elegance* (for the modern woman); *Figa* (cosmetic); *Bloembollencultuur.* Advertising rates are sent on application.

VAN DEN BOS HANDELSCOMPAGNIE, 105, Parkstreet, The Hague (Holland). Export department offers foodstuffs and all special Dutch products. Import department asks for sole agencies foodstuffs.

N. V. BOTEMY, Nieuwe Prinsen Gracht 27, Amsterdam. Cable: Botemy, Amsterdam. Manufacture of the "Ever Yours" Beauty Products and "1000 Weeks" Girls Cosmetics. Specialized for export to all countries of the world. Sole agents wanted.

C. VAN DER BURG & ZONEN, Vlaardingen. Exporters of selected Dutch herrings all over the world. Agents wanted. Manufacturers of wooden barrels of any capacity and also of staves, headings and hoops.

"CHEMPHAR" CHEMISCH PHARMACEUTISCHE HANDEL MY., N. V., 228 Keizersgracht, P. O. Box 657, Amsterdam-C. Importers and Manufacturers. Representatives of chemical and pharmaceutical products.

N. V. DAARNHOUWER & CO'S HANDELMAATSCHAPPIJ, Heerengracht 223-225, Amsterdam. General exporters to all parts of the world. New connections solicited.

JAN DON & CO., Vlaardingen. Cable address: Jadoco. Selected Holland herrings.

H. DEN DONKER, P. O. Box 274, Rotterdam. We want agency in raw and manufactured chemicals, also in gums, wax, rosins, etc.

DONOR TRADING COMP., P. O. Box 3001, ROTTERDAM. Importers of shooting, camping and sporting articles, gloves and leatherware, cutlery, toys, await offers from manufacturers.

J. C. VAN DORP & ZONEN, Vlaardingen, Holland. Cables: Vandorp Vetteoordskade Vlaardingen. Exporters of Holland-Herring since 1891. Agents wanted.

JAC. DEN DULK & ZONEN (Est. 1871), Scheveningen. Cable address: "Visch." Salt and smoked herrings. Finest quality.

ECONOMISCH ADVIESBUREAU F. HALVERSTAD, HEERENGRACHT 568, AMSTERDAM-C. CABLE ADDRESS: ECONABURO. INTERMEDIARY FOR GENERAL IMPORT AND EXPORT. SPECIALIZED FOR COMPENSATION TRANSACTIONS.

ADRIANUS VAN DEN EELAART, Schiedam (Holland), Korte Haven 25-29. Distillers and liqueur manufacturers since 1697. Where not represented importers and agents demanded.

ERIKS' PAKKING & RUBBER, Alkmaar, Holland. The best introduced firm in Holland for high quality packings jointings, and sundry goods for engineer's use, invites offers and quotations for special or patent products for industrial use.

"EUROPE" Intern. Manufacturing and Trading Cy. Ltd., Amsterdam, Keizersgracht 285-287. Cable: Admistra Amsterdam. Manufacturers of hardware and costume dolls. Exporters of Dutch cigars and tobacco, genever and liquors, textiles and dyestuffs. Importers and agents demanded.

FORUM-BANK., N. V., Amsterdam, Heerengracht 444. Merchant bankers, members of the Amsterdam Stock Exchange.

DE GROOT, Potterstraat 4, Utrecht (Holland). Import and export of ladies' novelties.

G. HOOGERWERE, Vlaardingen (Holland). Cable address: Egooh. Salt herrings. Export to all countries since 1869.

E. HUNEUS, Baarn (Holland). Representative for Holland of Francolor, Paris, and Etablissements Kuhlmann, Faris.

N. V. IMPRIMEX INDUSTRIE- Producten Im- en Export, Amsterdam, Heerengracht 554a. Manufacturers representatives, importers and exporters of iron- metal- and woodworking machines, technical goods, iron- and metal semi-products.

INKU, Heerengracht 503, Amsterdam. Manufacturer's agents. Export from Holland: Roofing of bituminized felt, paints and varnishes, phenolic glue. Affiliate: P. J. Veelo, exporters cigars, liquors, etc.

KAHA., N.V. BUTTON WORKS. HEERENGRACHT 20, AMSTERDAM. BUTTONS AND BUCKLES.

KOELRAD N. V., Gravenstraat 22, Amsterdam, Holland. Old established firm in Holland, interested in domestic and commercial machinery, refrigeration, washing machines, radio sets, records, etc.

C. KORNAAT'S HANDELMAATSCHAPPIJ. Established 1775, Vlaardingen, (Holland). Export of salted and smoked herrings.

KWANTEN. Postbox 205, 's-Hertogenbosch (Holland). Chemicals, Shoe-dressings, Athlete's Footpowder.

MELCHERS & SANDBERGEN, AND FRANS VAN MIERRISSTRAAT 99, Amsterdam (Holland). Cable address: Mesametaal. Importers and exporters non-ferro scrap metals, residues, ores, chemicals and allied products.

MERREM & LA PORTE, N. V., Amsterdam. Technical office since 1870. General importers and exporters. Iron and steel, non-ferrous metals, technical goods.

MICHEL' WASFIGUREN EN INSTALLATIE MAGAZIJNEN, Huidekoperstraat 25-27. Amsterdam (Holland). Manufacturers and exporters of high class display mannequins in hardened composition with inserted natural hair.

For publicity in Holland, *three leading magazines:* **"Moeder & Kind"—"Victorie"—"Film & Theater."** Publ. Cy. "De Internationale Pers." Heerengracht 545-549, Amsterdam-C.

DE MUINCK & CO'S. Handelmaatschappij, Amsterdam, Kloveniersburgwal 47. Cable: Muncomij. General exporters and importers.

V. S. OHMSTEDE, Paulus Potterstraat, Amsterdam. Importers of tool-machinery seeks agencies for lathes, milling-machines, shapers, automatic lathes, grinders. Buying on own account, exhibiting national Dutch fair March 1947.

H. ONKENHOUT, Keizersgracht 254, Amsterdam (Holland). Cable address: HAKON, Amsterdam. Importers and exporters non-ferrous metals, steels, tools, hardware, etc.

"PENTO" COSMETIC, Gieterstraat 5-7, Amsterdam-C. Cable address: Pento, Manufacturers of all kinds of cosmetic products, i.e.: Toothpaste, shaving cream, powders, creams, lipsticks, lotions, brilliantine, haircream, shampoos.

W. A. PESCH JR., Keileweg 22, Rotterdam. Importers of fish meal, meat meal, vitamin oils, brewers' yeast, alfalfa, rice bran, pollards, cereals and by-products.

K. F. PETERS—CHEM. & PHARM. PRODUCTEN, Amsterdam. Cable address: Anorga. Are open for suitable products—as manufacturers' representatives—in the following lines: Chemicals (for technical use), plasticizers, solvents, etc.

J. POLAK'S ENGROSHANDEL, KLOVENIERS-BURGWAL 19, AMSTERDAM-C. (HOLLAND). WHOLESALERS, EXPORTERS AND IMPORTERS OF WOOLENS, COTTONS, SILKS, RAYON AND OTHER PIECE GOODS.

FIRMA EMIEL DE RAAY, Damrak 53, Amsterdam (Holland). Telegrams: EMIRA, Amsterdam. Exporters and importers of rags for textile manufacture and paperstock, wiping rags, used clothing, over issues,manufacturers and exporters of flocks for upholstery and of regenerated wool for respinning.

RENO HANDELMAATSCHAPPIJ N. V. (Reo Trading Co. Ltd.), Amsterdam, 33 Weteringschans. Importers of medical and surgical goods of all descriptions, electromedical and X-ray apparatus, glass bottles and laboratory glassware. Invites offers from U. S. A. and Canada.

ROBA Metallurgische Handelmaatschappij N.V. van Baerlestraat 76, Amsterdam (Holland). Cable address: ROBASCRAP. Wholesale dealers, importers and exporters. Iron and steel, non-ferrous metals, ore, chemicals—iron and steel, ferrous and non-ferrous metals scrap.

RUTTEN'S DISTILLERY, P. O. Box 26, Schiedam, Holland. Manufacturers of the famous very Old Geneva "The Black Prince" Schiedam Schnapps, liqueurs and dry gin.

F. VAN DER SLOOT, Amsterdam (Holland), N. Z. Voorburgwal 96, est. 1895, importers and agents in gent's hats, ties, collars, etc., want connections with manufacturers various countries, also compensation business.

DR. E. J. SWAAB'S VEREENIGDE FABRIEKEN, Groenburgwal 39-43, Amsterdam. Manufacturers of all cosmetic articles as well as parfums and lotions. French style, delivery exclusively for export, in bulk package designed for packers.

E. & L. DE SWAAN, Wittenburgergracht 1-3, Amsterdam. Cable address: Swanex. General importers and exporters for the U.S.A. and Mexico. We are interested in new connections.

TECHNISCHE HANDELSONDERNEMING E.T.A.H., A. RUTTEN: Bachstraat 17, Amsterdam (Holland). Want to represent or have sole selling rights for Holland in the line of electrical and radio equipment.

TRANSANDINE HANDEL MAATSCHAPPY, Amsterdam Heerengracht 106. Cable address: "Habilitas." Merchant bankers, members of the Amsterdam Stock Exchange.

FABRIEK VAN DASSEN–SHAWLS EN NOUVEAUTE'S "LUCKY" JODENBREESTRAAT 14, AMSTERDAM. MANUFACTURERS OF TIES AND SCARVES. EXPORT.

WALDORP RADIO LTD. Import Department, The Hague, Holland. Wish to get in touch with manufacturers of machines and apparatus for domestic purposes.

L. F. WILL & CO., Amsterdam. Cable address: Willchemie. Established 1924. Chemicals, solvents, plasticizers, pharmaceuticals. (Sister company in Brussels.)

VAN DER WOUDE & FABISCH, Amsterdam, Rokin 30. Exporters of rails, tipping wagons, sugar cane and sisal cars, locomotives, electric and diesel motors, steel sheets and all raw material made of iron and steel, tugs, paints and enamels, etc.

three prerequisites. The first is a careful program of job evaluation by which the relative values of the various jobs are determined by comparing the skill, responsibility, effort, and working conditions inherent in them.

The second prerequisite is the careful establishment of measures of output for each operation. Again, you see the definition of a fair day's work. These must be established by scientific methods and not by mutual consent nor by collective bargaining.

Rate Adjustment

The third prerequisite for such a plan is a provision for an employee's rate to be adjusted up or down according to his output. For instance, the drill press operator who turns out the standard number of pieces over a period of time will receive the standard rate established by job evaluation; the operator who regularly produces an amount exceeding the standard by a certain percentage will be paid a premium rate; the operator who falls short of the standard will receive a rate lower than standard; and the operator who regularly fails to produce a certain minimum output will be removed.

There are a few plants, particularly in heavy industry, where the work is not sufficiently repetitive to justify any premium plan. This is particularly true in the case of a large shaft which may require two weeks to machine. In such plants it will be necessary to set up standards of allowed hours based on past experience and implement those standards with first-class management supervision. Mechanics who do not meet those standards are either dismissed or derated to a lower classification.

To sum up, output per man-hour is not increasing. Even before the two rounds of general increases, labor costs per unit were rising rapidly. The increases of the past two years cannot be offset by increased productivity for some years to come, even if we again achieve outputs at the highest rates obtained in preceding decades. Since the only source of higher real wages is increased output, we must bend every effort to the end that output per man-hour increases.

To do this we must get back to the fundamental principle of "a fair day's

pay for a fair day's work." For various reasons, incentive plans—so effective in prior years—have been weakened and distorted. Single hourly rates without any measure of productivity do not assure a fair day's work in exchange for the wages paid.

Where incentive systems are still in use, they must be brought back to a sound basis.

Where day rates are the rule, they should be established by sound job evaluation, coupled with standards of output. The workman's performance is to be measured against that standard.

Such a program is the main hope for the next decade. A fair day's work is again defined and not as a meaningless generality. One of the programs outlined can be applied to any type of industrial plant. Production and productivity will increase to serve as a counter move against the inflationary push of rising unit labor costs.

Labor Force Must Produce

America has reached a point where everyone can be provided with a decent living. We have more than enough industrial and agricultural capacity to support a large increase in total production. The only limiting factor is the willingness of our labor force to produce. If we can meet the challenge of productivity, we can move on toward constantly rising living standards for everyone. Never before has a nation been so close to abolishing poverty and to meeting all the material demands of its citizens.

The leaders of labor must support such a program of increased production unless they deliberately ignore the effects of inflationary wage rates upon the workman's standard of living.

There are already indications that our great factories will be more productive in this year of 1947 than in any period since 1940.

I am sufficiently an optimist to predict that the increasing trend of wages in the face of stationary or declining productivity has reached its peak and that the next decade will show a definite increase in the output per man-hour. Management must obtain greater production. Labor must co-operate to this end. The result will be to translate into real wages the increases obtained in the past two years.

The 4 most common typing faults

. . . and how to avoid them!

To illustrate common typing faults, Mr. Saksvig posed as above

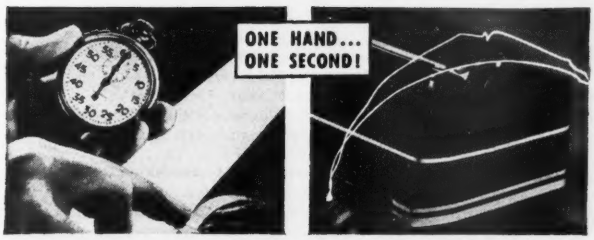
NORMAN SAKSVIG, authority on speed techniques and former champion, comments on the *correct* techniques pictured below...

"GOOD POSTURE saves backache, eyestrain, and fatigue. Feet firm, back supported, wrists slanted, fingers curved, eyes on copy."

"WRISTS relaxed and slanted about parallel with keyboard; fingers should be curved and resting lightly on the guide keys."

"CORRECT FINGERING means 'hugging the keys.' Avoid raising hands above keyboard, which causes fatigue, loss of speed."

"START carriage with crisp throw, let momentum do the rest. Return left hand to guide keys. Don't look away from copy."



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With one hand, as shown, set both right and left margins with flick of the index finger...it's fast (actually less than *one second*) yet simple. Saves time. See this 'line of light' photo of operation-one hand, both margins set, hand back on keyboard. Figure that saving in a day's typing!

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IT WILL pay you to ask for demonstration of this unique Automatic Margin Set.

Also, see how quickly tabulator stops are set and cleared, how accurately the ratchet release operates, how closely the feed rolls grip the paper. In short, discover not only the speed, but the easy action and complete equipment of this finely-engineered machine.

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Advertiser's Index

(Advertising Agency)

PAGE

Let's Wake Up Rip Van Winkle!

Millions of bushels of food may rot in our fields this harvest time, instead of being available to the world's markets—because we are short of freight cars. Here is a way that thousands of cars can be freed for service in a hurry.

Are old-line managements asleep in the dell while many freight trains creep at a snail's pace—by agreement?

ARE you interested in the price of food? Does it give you a twinge to see those pictures of mountains of wheat piled on the ground and potatoes going to rot—when there's a desperate world food crisis?

The bottle-neck is our freight-car shortage. But thousands of cars could be freed by a single decision—if old-line railroad managements would act.

Don't Blame the War!

This is hard to believe, but it's true: we have today only three-fourths as many freight cars in our country as we had twenty years ago. This shrunken fleet is now called on to handle the greatest peacetime traffic in history. And the war itself is not to blame for the shortage—for in no single year from 1925 to the start of hostilities did the railroad industry buy as many cars as it junked. Twenty years is a long time for even Rip Van Winkle to sleep!

What Can Be Done?

There is at least one remedy that can be applied at once—despite the steel shortage and other difficulties in car-building. This remedy requires no new equipment, no period of time—nothing but an act of management:

Lift what appear to be agreements between railroads that deliberately slow down freight trains!

Here is an example. There are eight important routes by which you can ship "fast" freight from California to Chicago. These routes vary in length as much as 450 miles. But, curiously, the time schedule for each of the eight is exactly 118 hours—and 30 minutes!

Similarly, scheduled freight trains moving west over the important routes from Chicago to the Coast areas, despite great differences in terrain and mileage, take exactly 130 hours—on the nose!

Is This Free Competition?

Could it be that these schedules are fixed by agreement? That the trains which could be fastest are held back for the slowest—so that no road can have even the slightest competitive advantage?

Railroad men know that, in many instances, a whole day could be cut off these schedules between California and Chicago—if managements would simply order it. If that were done, on these roads and on others, it would ease the national car shortage at once!

There is good reason to believe that by lifting deliberate freight slow-downs, on the roads that still practice them, *we could provide more cars this summer and fall than our shops can possibly build.* And every car is desperately needed!

A Call For Action!

The next few weeks will be the critical ones in our food problem. Our wheat crop is estimated to exceed any previous record by 300 million bushels. *It is even now being piled in the fields—for want of cars.*

If you feel as strongly about this as the C&O does, write to your newspaper and your congressman.

Ask them to stir up Rip Van Winkle—and tell him that time is short. Demand that our trains be scheduled not merely to suit the private deals of the railroads, but so that we can make the best use, for the whole public, of our depleted stock of freight cars!

The Chesapeake and Ohio Railway

Terminal Tower, Cleveland 1, Ohio

"How they turned off the lights in Payroll"

Blazing for nights-at-a-stretch before each payroll, those lights had become a familiar part of the scene. Then, suddenly, they were gone!

For the problem that used to keep them burning in the Payroll Department was finally and completely solved through the use of National Payroll Machines and National Accounting Machines. No more overtime — no more lights!

For many, many other firms, too, National Accounting Machines have ended costly, disruptive overtime. Some of these concerns are among the country's largest—some, far smaller.

Indeed, one of the most enthusiastic users of Nationals, anywhere, is a manufacturer employing a total of only about 60, and having a daily posting of accounts receivable of about 40. For he finds his National Multiple-Duty Typewriting-Bookkeeping Machine so flexible, and so suitable to his needs, that, *single-handed,* it handles his *entire* accounting.

If you employ from about 50 people, up, let your National representative show you exactly how the right National Accounting System can save you time and money, while giving you better control of your own business. Or write to The National Cash Register Company, Dayton 9, Ohio. Offices in principal cities.

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